What does a **growth** company look like?

Dofasco Inc.

Annual Report 2000

It looks like **Dofasco...**

... a company that offers its customers products that few others in the world can, enabling them to do their jobs better; a company that has developed technology that is state of anybody's art and that continually improves its industry-leading productivity; a company that believes the well-being of its employees and community is essential to sustain long-term growth; a company that competes effectively and internationally, that is at the leading edge of e-commerce and that employs a highly-skilled, educated and motivated workforce with a mandate to innovate.

Dofasco finds **inspiration** in the needs of its customers, uses **imagination** to find new ways to meet those needs, and applies **determination** to turn ideas into action.

inspiration

imagination

determination


DOPASCO

Profile

Dofasco is Canada's most successful steel producer, serving customers throughout North America with high quality flat rolled and tubular steels and laser-welded blanks.

Dofasco's advanced facilities in Hamilton, Ontario, produce hot rolled, cold rolled, galvanized, Extragal™, Galvalume™, tinplate, chromium-coated and pre-painted flat rolled steels, as well as tubular products. Gallatin Steel, the company's joint venture minimill in Kentucky, produces hot rolled steels. Powerlasers, Dofasco's wholly-owned subsidiary, manufactures laser-welded automotive blanks and related components in Concord, Ontario and Pioneer, Ohio, and has an Advanced Technology Centre in Kitchener, Ontario.

For nearly a decade, Dofasco has pursued a strategy that provides the foundation for sustainable growth and increased value for all our stakeholders by differentiating the company in the marketplace. That strategy has four main elements:

- Solutions in Steel™, which builds strong customer relationships by employing new and unique technologies to produce value-added products,
- operational excellence, which results in maximum operating performance reflecting our focus on improving what is important to our customers,

Dofasco is Canada's **most successful** steel producer.

- a knowledgeable, resourceful and dedicated workforce, that flourishes in an environment rooted in Dofasco values and that rewards performance and innovation, and
- financial strength, which enables us to invest and grow with our customers.

Contents

TM Extragal™ is a registered Canadian trademark of Sollac, France.

TM Galvalume™ is a registered trademark of Dofasco Inc. in Canada, and a registered trademark of BIEC International Inc. in the United States.

TM Solutions in Steel™ is a trademark of Dofasco Inc.

TM Zyplex™ is a trademark of Dofasco Inc.

2000 Performance

Throughout our 1999 Annual and Environment & Energy Reports, we identified many challenges that Dofasco must address to remain successful. In order to be accountable to our shareholders, the following summarizes our performance in 2000 related to those challenges.

Objectives	Performance
Short-term challenges	
• Ensure the well being of today's employees through leadership and progressive health and safety practices.	• Further development of the Health and Safety Program and business plans contributed to reduced injury frequency and fewer lost-time injuries.
• Earn our cost of capital and where appropriate return money to our shareholders.	• Generated 9.2% consolidated return on capital and returned more than $175 million to shareholders through dividends and share repurchases.
• Build on Gallatin Steel's dramatic 1999 turnaround.	• Gallatin received quality and safety awards in 2000 and generated its first-ever profitable year.
• Improve profitability at Quebec Cartier Mining Company.	• Higher operating costs, particularly energy, and reduced worldwide demand for iron ore contributed to lower QCM profitability.
• Focus on making products our customers will want to buy and on delivering superior customer service.	• Rated first overall in North American industry-wide customer service survey. Enhancing product line with upgrades in Hot Rolling, Galvalume™, and Tinplate facilities.
• Minimize the environmental impact of our operations by meeting or surpassing legislative and regulatory requirements.	• In full compliance with all environmental laws and regulations.
• Take an active role in building a healthy, prosperous place to live and work.	• Dofasco and Dofasco people contributed more than $3 million to charitable causes. Dofasco employees volunteered thousands of hours to local organizations. Co-sponsored the "Culture of Opportunity" summit addressing the sustainability of Canada's standard of living. Founding sponsor of the Sustainable Enterprise Academy at York University in Toronto.
Long-term strategic initiatives	
• Be recognized as one of the world's best steel companies.	• Named the global leader in the Basic Materials sector of the Dow Jones Sustainability Group Index.
• Target significant and sustained health and safety performance improvement.	• Remain committed to achieving an accident-free workplace through continuous development of wellness and health & safety improvement programs.
• Focus on earning our cost of capital across the business cycle.	• Earned greater than our cost of capital in Hamilton in 2000 for the third consecutive year.
• Lead the North American steel industry in environmental performance.	• Continuous improvement in overall environmental performance. On or ahead of schedule to meet all commitments under voluntary Environmental Management Agreement.
• Grow globally to support our customers, making selective investments based on a superior understanding of their future requirements and capitalizing on our knowledge.	• Constructing No. 3 tube mill for hydroforming applications in Mexico. Participating (20% ownership) in a new steel processing facility to be built in Brazil.
• Develop the intellectual capital that resides in Dofasco's employees into a competitive advantage.	• Commercializing Zyplex™, an internally developed composite product. Marketing maintenance software products worldwide through Ivara Corporation.

2000 Highlights

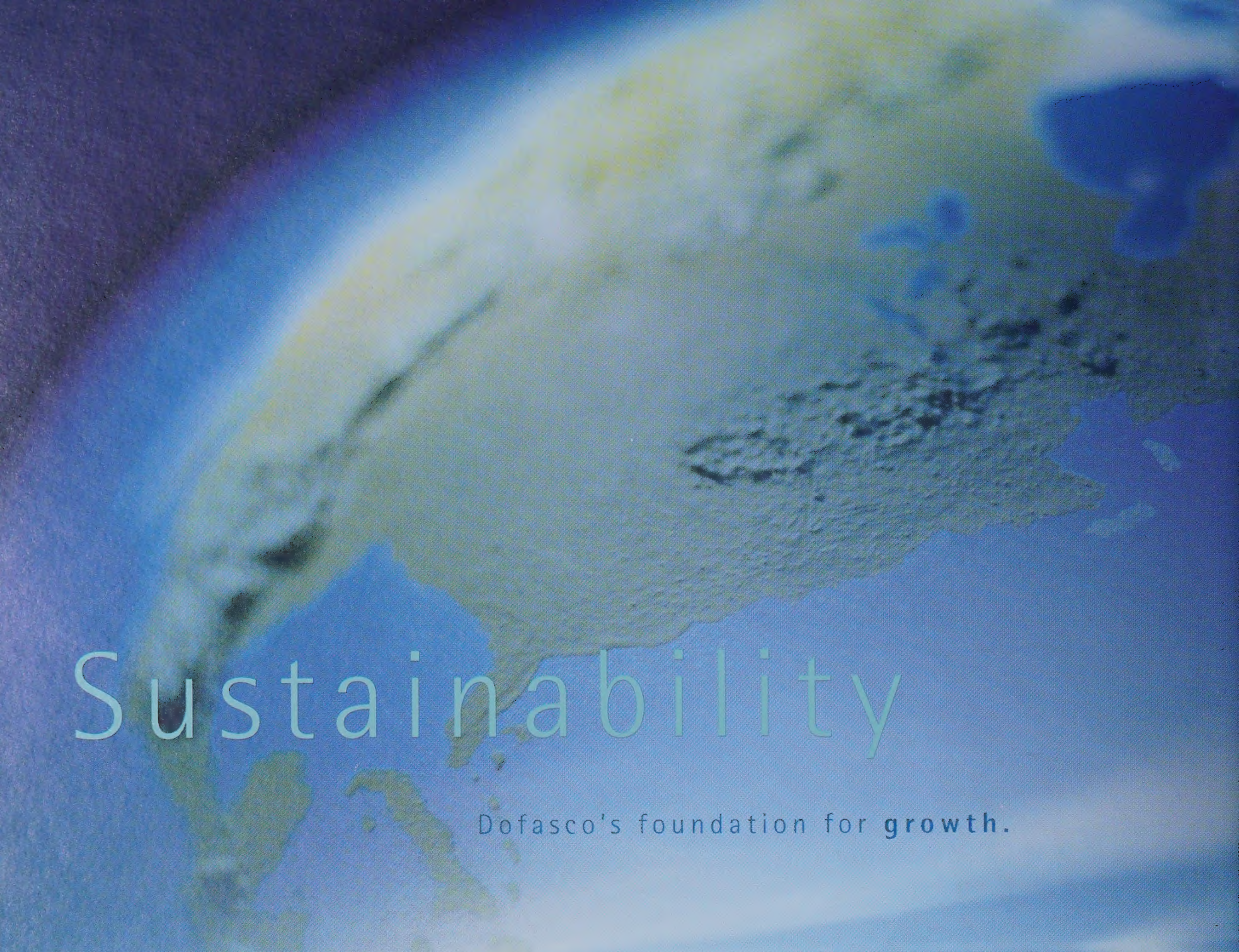
A year of **achievements.**

	2000	1999
Raw steel production and purchased semi-finished steel processed (thousands of net tons)	**5,009**	4,833
Steel shipments (thousands of net tons)	**4,416**	4,449
Sales*	**$ 3,201.1**	$ 3,142.3
Net income*	**188.7**	260.8
Net income attributable to common shares*†	**188.1**	260.2
Earnings per common share† – basic	**2.47**	3.16
– fully diluted	**2.42**	3.11
Dividends declared per common share	**1.06**	1.00
Capital expenditures*	**$ 216.0**	$ 186.0
Working capital*	**$ 842.9**	$ 776.5
Shareholders' equity*	**1,852.5**	1,812.5

* in millions

† after preferred dividends

- Named the global leader in the Basic Materials sector of the Dow Jones Sustainability Group Index, based on financial, social and environmental performance and management approaches.
- Earned net income attributable to common shares of $188.1 million, or $2.47 per common share – the company's second highest EPS performance since 1989.
- Remained one of the most profitable steelmakers in North America, on the basis of earnings (before interest and taxes) per shipped ton.
- Generated more than $400 million in cash flow from operations for the fifth consecutive year.
- Repurchased 3.7 million common shares on the open market, representing 4.7% of the shares outstanding at the beginning of the year, for $94.5 million.
- Increased the common share dividend by 8%.
- Returned more than $175 million to shareholders through dividends and common share repurchases.
- Invested to maintain Hamilton operations as a world-class steel manufacturing facility. Projects included major capacity and quality upgrade programs in Hot Rolling, Tinplate and Galvalume™ facilities, and major maintenance projects in Ironmaking, Steelmaking, Hot Rolling and Finishing.
- Developed and implemented local-area Health and Safety programs contributing to progress towards the ultimate goal of an accident-free workplace. Reduced injury frequency and the number of lost-time injuries.
- Continued extensive employee wellness programs through Dofasco's Lifestyle Resource Group, including the Health and Safety Fair, smoking cessation programs, weight reduction programs, stress management programs, noon-hour fitness programs, pre-shift "Walk And Stretch" programs and "Back Power" classes. Continued growth in the number of users of in-plant fitness centre and nearby Recreation Park.
- Received the Electrical Safety Award from the Ontario Electrical Safety Authority, recognizing Dofasco's efforts to promote electrical safety in the workplace.
- Awarded Ford Motor Company's "Gold World Excellence Award" for excelling in quality, delivery and cost. Also awarded Ford's Recognition of Achievement for "Consumer Focused Technology" for Extragal™, the hot dipped exposed galvanized product produced by DSG.
- Ranked first overall among 23 North American steel suppliers in the industry-recognized Jacobson & Associates customer satisfaction survey.
- Awarded the Outstanding Corporate Achievement Award for leadership and contributions to the North American automotive industry, by the Automotive Industry Action Group that represents more than 1,600 automotive and truck manufacturers and their suppliers.
- Continued development of e-commerce applications, completing more than 60% of business transactions, valued at more than $2.6 billion, electronically.
- Acquired Powerlasers, a manufacturer of laser-welded automotive blanks and related components. Powerlasers' Advanced Technology Centre researches, develops and manufactures leading-edge laser-welding technology.
- Announced plans to acquire a 20% ownership interest in a joint venture steel finishing facility to be built in Brazil to serve the rapidly growing global automotive industry operating in South America.
- Constructing a hydroformed tube making and steel processing facility in Monterrey, Mexico, which will bring Dofasco's tube production capability to 450,000 tons per year.
- Recorded Gallatin Steel's first-ever profitable year.
- Awarded Kentucky's 1999-2000 Governor's Occupational Safety and Health Award at Gallatin.
- Achieved the prestigious QS 9000 accreditation at Gallatin, created by North American automakers as a product quality standard.
- Distributing worldwide, through Siemens Energy, Ivara Corporation's leading-edge computerized Asset Management and Maintenance Management systems, products derived from technologies developed at Dofasco. Dofasco owns approximately 30% of Ivara.
- Received registration to the ISO 14001 Environmental Management System Standard for DoSol Galva. Plans are in place to register all of Dofasco's Hamilton operations by the end of 2001.
- Surpassed commitment to reduce benzene emissions by 80% from 1993 levels.
- On or ahead of schedule to meet all commitments under the voluntary Environmental Management Agreement with federal and provincial environment ministries.
- Maintained active, leading participation in a number of industry-community-government environmental groups, including Hamilton Industrial Environmental Association.
- Received the Gold Environmentally Sustainable Award from the Recycling Council of Ontario.
- Contributed by the company and our people, more than $3 million to post-secondary education, health, environmental, arts and cultural organizations – nationally and locally.
- Contributed by Dofasco people, thousands of volunteer hours to local organizations, helping make our communities more attractive places to live and work.
- Co-sponsored and organized *Canada's Key Choices: Creating a Culture of Opportunity*, a conference that brought Canadian leaders from business, government, education, health and the voluntary sector together to discuss Canada's future in a global economy.
- Founding Sponsor of the Sustainable Enterprise Academy at the Schulich School of Business at York University.



Sustainability

Dofasco's foundation for **growth.**

The widely accepted definition of sustainability is "... the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs." This definition underscores the integrated and mutually dependent nature of the three pillars of sustainability – environmental responsibility, social well-being and financial performance.

Everyone who has a stake in Dofasco's long-term prosperity recognizes that our future rests on success in all three areas. We do not increase our success, or our chances of success, in one by diminishing our efforts in another. Rather, they are the three interdependent pillars that together support our future. We can only achieve one with the support of the others.



When Dofasco makes a decision or takes an action, we strive to be mindful of the implications for the broader community and for the next generation. At Dofasco, we have seen first-hand the long-term correlation between financial, environmental and social factors in defining the success of a company and a community.

For Dofasco, the seeds of our commitment to sustainability were sown early in the company's history, when founder Frank Sherman forged a unique partnership with employees and their families, based on individual respect and shared success.

Over time, this mutually beneficial partnership, known as "The Dofasco Way", extended naturally to a deep interrelationship with the communities where we operate, especially Hamilton, Ontario, the home of Dofasco's core operations for the last nine decades. In the past quarter century, this recognition of our mutual dependence with our communities has led to an increasingly proactive approach to environmental stewardship.

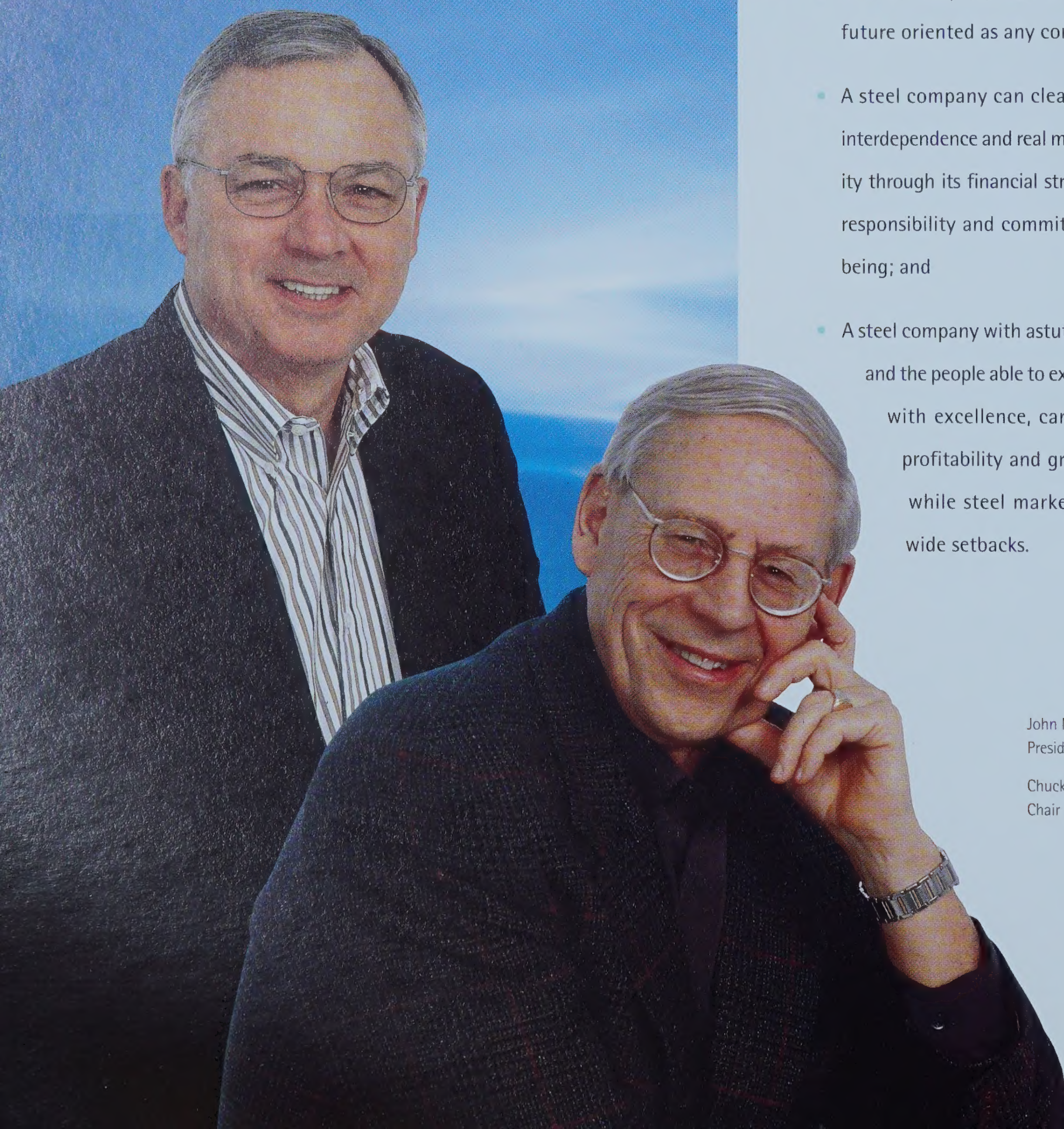
It's no coincidence that the most successful companies generally excel against all these benchmarks. In fact, in the first half of 2000, the average return on equity (ROE) for companies that have achieved inclusion in the Dow Jones Sustainability Group Index – which includes Dofasco for the second consecutive year – was nearly 77% higher than the average ROE for companies on the broader Dow Jones Group Index.

Starting this year, we will report our progress in a way that better reflects our commitment to sustainability and to the triple bottom line. While measurement and reporting in all three areas continue to evolve, Dofasco believes now is the time to adopt an integrated approach that will provide more complete disclosure to shareholders and other stakeholders.

Message to Shareholders

For Dofasco, **the year 2000** provided further evidence that:

- One steel company can clearly distinguish itself from others, and in so doing provide real value to its customers, shareholders, employees and other stakeholders;
- A steel company can be as imaginative and future oriented as any company in any sector;
- A steel company can clearly demonstrate the interdependence and real meaning of sustainability through its financial strength, environmental responsibility and commitment to social well-being; and
- A steel company with astute business strategies, and the people able to execute those strategies with excellence, can support continued profitability and growth potential, even while steel markets endure industry-wide setbacks.



John Mayberry,
President and CEO [left]

Chuck Hantho,
Chair of the Board

In short, 2000 provided further evidence that a steel company – **Dofasco** – can be a successful growth company.

Global growth – based on differentiation

The reality of the global steel industry is that there is significant overcapacity, even at record levels of consumption. With no apparent or obvious catalysts to increase consumption and balance supply and demand, the question is, "How will winning steel companies, like Dofasco, continue to grow and deliver value?"

The answer is in innovative new products that solve our customers' needs by delivering unique advantages and that increase Dofasco's market share and margins. In the steel industry, the next wave of growth will not come from increased global consumption, but from the ability to generate new and better ideas. Equally important is operational excellence – the ability to flawlessly execute whatever is required to efficiently transform these new ideas into success stories for our customers and for Dofasco.

Dofasco has both these abilities.

In the years since Dofasco adopted the main elements of its current strategy, the company has continuously demonstrated its willingness to invest in the technologies and the people required to fulfill its commitment to strong and mutually beneficial customer relationships.

With initiatives such as DoSol Galva and two tube mills, all based in Hamilton, we have proven that we have the ability to deliver on this commitment. We have also said in the past that we are ready to produce the kind of value-added steel products that our customers need, wherever they need them.

Our Solutions in Steel™ strategy has laid the groundwork for long-term growth that will meet the needs of all our stakeholders. While we continued to invest in our customers' value chains by expanding our operations into new and growing markets both at home and internationally, we also invested in our people – our most significant competitive advantage – who turn our strategy into sustainable results.

In recent years, Dofasco has focused on adopting and commercializing three specific new technologies, all driven by consumer demand for lighter, more fuel-efficient cars. These innovations – large diameter tubing for hydroforming, advanced galvanized steel and laser-welded blanks – have transformed Solutions in Steel™ theory into reality and generated growth through new business and market share.

Powerlasers

In May, Dofasco acquired Powerlasers, a laser-welding pioneer based in Concord, Ontario. Powerlasers, which also has production facilities in Ohio and an Advanced Technology Centre in Kitchener, not only sells laser-welded automotive blanks and related components, but markets its proprietary laser technology around the world. All three Powerlasers locations have achieved QS 9000 registration, the highest quality system standard for suppliers to North America's automobile manufacturers. Their manufacturing facilities have also earned ISO 14001 certification for their environmental management systems.

The Powerlasers acquisition is consistent with our commitment to produce value-added products where they are needed. Over the next five years, the North American market for automotive welded blanks is expected to triple with more than 85 per cent of the demand in Powerlasers' commercial backyard in Ontario, Michigan and Ohio.

While Powerlasers gives Dofasco an immediate leadership position in an auto manufacturing process of the future, it also opens the door to further potential in a wide range of non-automotive applications, including laser-welding for medical appliances, plastics and other materials. In short, Powerlasers is an ideal fit with Dofasco's focus on value creation through innovation.

Dofasco de Mexico

Dofasco's first mill capable of producing tube for high pressure hydroformed applications – and the first of its kind in the world – opened in Hamilton in 1997. It was followed by a second in mid-2000. Today Dofasco provides

tubing for hydroforming to four major automotive manufacturers in North America.

In October, we took our technology on the road and announced plans for a hydroformed tube manufacturing and steel processing facility in Monterrey, Mexico. When it is fully operational, the Monterrey facility will bring Dofasco's total tube production capability to approximately 450,000 tons per year.

This investment will provide a platform for growth in the Mexican automotive market, which is already nearly two-thirds the size of Canada's and continuing to grow rapidly. In just the past three years, automotive manufacturers and suppliers have invested in excess of US$5 billion in Mexico's auto industry, with another US$8 billion expected over the next two years.

Dofasco de Mexico will employ about 130 people, the majority hired locally. Since the Monterrey and Hamilton facilities will have interchangeable production capabilities, we will be able to leverage our Hamilton experience and expertise in training the Mexican start-up team.

To ensure that Dofasco de Mexico is a leading corporate citizen and employer in the region, we have engaged five MBA students from York University in Toronto to study Dofasco's corporate culture and another five MBA students from the Monterrey Technical Institute to examine best practices among employers in Mexico. The teams will meet and recommend ways to ensure that the values underlying Dofasco's culture are effectively introduced to our Mexican operations.

Vega do Sul

In June, we announced plans to acquire a 20% ownership interest in a joint venture steel finishing facility to be built in Brazil, one of the fastest growing centres of automotive production in the world. This investment delivers on our commitment to provide our products locally to customers with worldwide manufacturing platforms and will solidify our established leadership in supplying sophisticated galvanized steel.

Our partners in Brazil are leading global automotive steel supplier Usinor of France (our partner in our DoSol Galva facility in Hamilton), Companhia Siderúrgica de Tubarao, a major Brazilian steel company, and Corporación Gestamp of Spain, an international steel service centre and stamping operator. They will own 45%, 25% and 10% respectively.

When commissioned in 2003, Vega do Sul will have a capacity of 800,000 tonnes per year, expandable to 1.2 million tonnes. It will produce Extragal™, a corrosion-resistant hot dipped galvanized steel to be used primarily in exposed automotive applications such as doors, hoods and body panels for the South American automotive industry.

Extragal™ is the same product produced exclusively in North America by DoSol Galva. Our investment in Brazil means that global automotive customers will benefit from the ability to source this innovative product in North America, South America and Europe, through DSG, Vega do Sul and Usinor respectively.

Financial performance

Sustainable financial strength is not only an element of our strategy, it is a key enabler of all other elements and initiatives. Our overall strategy is designed to ensure that we remain financially strong year in and year out, despite the downturns that occasionally affect the industry as a whole.

In late 2000 and early 2001 there was a rapid market adjustment brought about by external forces such as global steel overcapacity, record levels of imports, reduced demand, declining prices and escalating energy costs. Like all steel companies on the continent, Dofasco is impacted by these forces. However, we remained profitable in each quarter of 2000 and, for the year as a whole, one of the most profitable steel companies in North America. In addition, our continuing ability to generate strong cash flow will allow Dofasco to maintain its balance sheet strength and to continue to make the capital investments necessary to achieve our strategic goals.

Consolidated net income attributable to common shares in 2000 was $188.1 million, or $2.47 per common share, compared to $260.2 million, or $3.16 per common share in 1999. Sales in 2000 of $3.2 billion and total steel shipments of 4.42 million tons were relatively unchanged from 1999.

All three of Dofasco's reporting business segments – Steel Operations, Gallatin Steel, and Quebec Cartier Mining Company – posted profitable results in 2000.

Our Hamilton operations remain the cornerstone of our business and the largest contributor to earnings. The ability of our people to execute our plans with excellence resulted in very good results for our Steel Operations segment in 2000. An excellent operating performance and a product mix which included a greater proportion of higher valued galvanized and tubular products helped offset some of the impact on earnings of the difficult market conditions that arose late in the year.

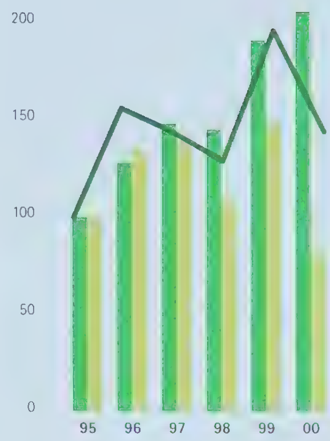
Dofasco's share of Quebec Cartier Mining's income before income taxes declined in 2000. Despite increased selling prices announced in the first quarter of the year, earnings declined due to higher operating costs caused in part by higher petroleum prices.

Gallatin Steel posted significantly improved results in 2000, earning its first-ever pre-tax profit. Gallatin posted profits in each of the first three quarters of 2000 on strong shipment levels and an improved operating and cost per ton performance. In the fourth quarter, Gallatin lost money as shipments and selling prices declined as a result of the high level of low-priced imports in U.S. hot rolled markets. Profitability was also affected by uncertain availability and escalating costs of electrical power.

Steel trade

Dofasco has clearly stated it is willing and ready to compete with any steelmaker in the world, as long as the competition is fair and complies with World Trade Organization rules agreed to by all steel-trading countries. Under these rules, steel that is sold into foreign markets either below its cost of production or its home market price is deemed to be unfairly traded.

However, low-priced imports of flat rolled steel into Canada, often unfairly traded in violation of WTO rules, were substantial, up by more than 25% from 1999 and accounting



Cumulative total return on $100 investment

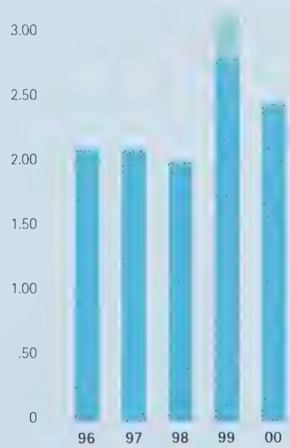
dollars

- Dofasco Inc.
- TSE 300 Index
- TSE Steel Index

Dividend yield

% as at December 31

- Dofasco Inc.
- TSE 300 Index
- TSE Steel Index



Earnings per share

dollars per common share

- Normal operations
- Other items

for 30% of flat rolled steel consumption in Canada. Spot pricing levels in North American steel markets dropped to near their lowest level in the past two decades.

North American steelmakers have filed unfair trade actions in both Canada and the United States and Dofasco will initiate further action if warranted. Dofasco supports the concern expressed by the three steel industry associations in Canada, the United States and Mexico over the role played by various international governments in perpetuating and exacerbating the problem of world steel overcapacity by providing export financing aid to help build unnecessary capacity.

Environmental performance

Dofasco is committed to leading the North American steel industry in environmental performance. In 2000, we maintained this commitment in key areas relating to energy consumption, air and water emissions and the management of secondary materials.

Significantly, DoSol Galva achieved ISO 14001, the accepted international environmental management standard and plans are in place for the complete registration of Dofasco Hamilton operations by the end of 2001.

We reported progress in measurements under our Environmental Management Agreement with Environment Canada and Ontario's Ministry of the Environment, such as surpassing our commitment to reduce benzene emissions by 80% from 1993 levels. In fact, we have either met, or are on target to meet within the established timelines, all the objectives set out in this voluntary agreement.

In order to maintain our leadership position in environmental stewardship, we remain actively engaged with all our stakeholders – federal and provincial regulators, non-governmental organizations, industry and our local community.

Social well-being

Dofasco's activities in a number of areas underscore our concern and support for the well-being of our employees, their families and our local and national communities.

Nothing is more important than the health and safety of our people. Dofasco remains committed to the goal of an accident-free workplace and recorded continuing steady improvement in health and safety performance in 2000. The company also expanded the health and wellness programs available to employees through Dofasco's Lifestyle Program.

Our direct impact on local, regional and national economic development is significant. In 2000, Dofasco injected more than $1 billion into the Hamilton-area economy through wages and purchases and another $1 billion into the larger Canadian economy through raw material and energy purchases.

We also play an active role in building a healthy community in which to live and work. During the year, Dofasco and our employees gave more than $3 million and countless hours of volunteer time to health care, education, arts and culture, social services and civic and community organizations, largely in Hamilton.

On the national level, last year Dofasco co-sponsored and organized a major national conference called *Canada's Key Choices: Creating a Culture of Opportunity,* which examined the national framework required to sustain and improve Canadians' standard of living.

Don Pether named Chief Operating Officer

In December, Don Pether was named Chief Operating Officer of Dofasco. While Don has served in the primary role of Executive Vice President, Dofasco Inc. and General Manager, Dofasco Hamilton, in reality his responsibilities have been much broader, particularly his involvement in helping to establish and implement the company's strategic direction. This new appointment reflects the integral leadership role that Don will continue to play in generating profitable and sustainable growth for Dofasco.

Dofasco's response to current market conditions

While our financial strength puts us in the enviable position of not having to make short-term decisions that would detract from our long-term growth strategy, we have acted decisively to deal with the rapid market adjustment that emerged in late 2000 and has carried forward into 2001.

We have implemented plans in Hamilton and at all our joint ventures and subsidiaries to reduce costs and conserve cash. We will also reduce capital spending, deferring capital projects that can reasonably be deferred. At the same time, however, we will proceed with the strategic investments that will continue to differentiate us from our competitors.

What does a growth company look like?

Dofasco remains focused on growth. We expect to remain an industry leader, despite what is anticipated to be a very difficult first half of 2001. Because of initiatives we have taken over the past decade, we have a uniquely sound financial foundation and strong customer relationships. These strengths position us better than most steel companies to address the current challenges and to continue to imagine what the future might hold.

Dofasco people continue to use their capabilities to outperform the competition. Our employees have the inspiration, imagination and determination to see the company through this period.

The progress we made in 2000 is evidence of our commitment to the strong customer bonds that are the foundation of our Solutions in Steel™ strategy. This strategy has made Dofasco one of the most successful steelmakers in the world.

We will continue to create value by investing in opportunities that provide sustainable growth, that allow us to develop and adopt innovative technologies and products that enhance the communities where we live and work.

At Dofasco, we have lots of room for imagination. Our role is to imagine and implement solutions for the next decade, and for the one after that, and to challenge steel's traditional boundaries and mindset in a way that is nothing short of revolutionary.

Chuck Hantho

Chuck Hantho
Chair of the Board

John Mayberry

John Mayberry
President and Chief Executive Officer

March 30, 2001

inspiration

Inspiration is what gives us a sense of purpose. It is that moment in time when understanding transforms itself into a tangible idea – when we perceive the possibility of creating something new by marrying the needs of a customer to our unique capabilities.

Inspiration requires knowledge and understanding of our customers' business opportunities and constraints. But before we can address the needs of our customers, we must first earn their trust. We must be close enough that they trust us with their plans for the future. We must prove to them again and again that they always receive our best efforts and that our best efforts are better than anyone else's.

We go to great lengths, figuratively and literally, to earn that trust. We search the world for the newest and best technologies and for the highest manufacturing and performance standards, all in pursuit of Solutions in Steel™ for our customers.

Have we been successful? Absolutely. Our insight into our customers' thinking is a significant competitive advantage for Dofasco. We remain one of the most profitable steel companies in North America and last year we ranked first overall among 23 North American steel suppliers in an industry-recognized customer satisfaction survey. Ford Motor Company presented us their

Gold World Excellence Award for excelling in quality, delivery and cost and their Recognition of Achievement for Consumer Focused Technology for Extragal™, our hot dipped exposed galvanized steel.

But there is one thing that is certain about the steel industry. It will change. While inspiration tells the story of the past decade for Dofasco – half the products we make today didn't exist ten years ago – inspiration will continue to be part of our success story in the future. Ten years from now, the steel industry, its products and even its customers, won't look the same as they do now.

And our success will be driven by our ability to stay close to our customers, to be in a position to ask "What's next?"

Dofasco has successfully embraced the technologies set out in the Ultra Light Steel Auto Body (ULSAB) initiative and is uniquely positioned to supply the full complement of leading-edge ULSAB-related automotive steels.

imagination

It's one thing to be inspired to fulfill the changing needs of your customers. It's quite another to have the organizational **imagination** to find ways to develop the new and better products and processes that will fulfill those needs.

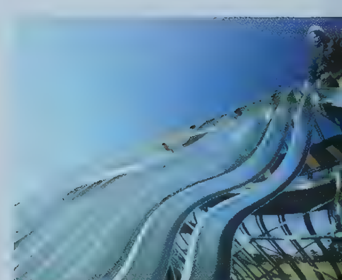
Today, Dofasco is imagining "what's next."

In home construction, the steel of the future can withstand storms, is fireproof, 100% recyclable and less expensive than wood or bricks. The steel of the future in car frames weighs one-third of today's standard, wraps the driver in a safety cocoon, and halves fuel consumption. The steel of the future creates stronger, lighter, less expensive, better-insulated, energy efficient, decorator-friendly household appliances. In skyscrapers, the steel of the future changes colour under stress and projects programmed images across a building.

Dofasco's ability to imagine is well proven. We are probably one of only a few steel companies in North America, if not the world, that has successfully adopted new technologies when others are still studying them, to provide new products that our customers need.

Not very long ago, we were imagining solutions for today's needs.

Such as enhancing our manufacturing flexibility by integrating electric arc furnace and traditional steelmaking technology into one facility. Such as building three mills capable of producing steel tube for high-pressure hydroformed automotive applications. Like producing Extragal™, the corrosion-resistant hot dipped galvanized steel, in both North and South America. Such as owning the technology to produce laser-welded blanks,



increasingly in demand for automotive and other applications. Such as being at the leading edge of e-commerce, conducting almost 60% of our business online. Such as competing successfully for the best and brightest technology graduates, challenging them with the most advanced technology in the world and allowing them to share in their company's success. By giving our people the freedom to search the world for new products, processes and technologies, and as a result enabling the development of products like Zyplex™, a versatile, ultra-strong, ultra-light and unique steel laminate poised for a variety of lucrative potential applications.

At Dofasco, we imagine all kinds of possibilities.

Dofasco's acquisition of Powerlasers provides a jump start in the growth market for laser-welded blanks and is an ideal fit with Dofasco's focus on value creation through innovation.

determination

What does it takes to turn inspiration into imagination and imagination into reality? It takes great people with the **determination** to be the best.

Inspiration and imagination are all about being innovative. But innovation is not only about new technologies. A truly innovative company also changes its business processes. For Dofasco to change the way we did business, our people had to become more involved and acquire a sense of ownership in our growth. We had to maintain our traditional values of respect, loyalty and concern, while linking the success of the employee directly with the success of the company.

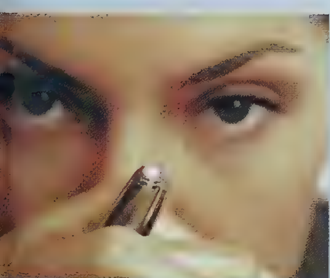
We established cross-functional teams focused on achieving aggressive objectives. This allows employees with a variety of technical expertise and business accountabilities to align in pursuit of a common purpose.

This team approach thrives in a culture of excellence. "Do it right the first time, on time, and with no injuries" is an often-heard credo at Dofasco. This determination has helped Dofasco eliminate bottlenecks, maximize quality, improve delivery and achieve a level of operational excellence that is among the world's best-in-class in every key measure.

A couple of examples: In Hamilton in April of 2000, teams at our KOBM steelmaking operations set a record by producing more than twice the number of batches of steel attained with the same equipment five years earlier. In 2000, Gallatin earned an impressive triple crown, recording its first-ever profitable year, achieving the prestigious QS 9000 quality accreditation, and being awarded the Kentucky Governor's Occupational Safety and Health Award.

Throughout Dofasco, our employees are our most valuable asset and one of our greatest competitive advantages. We have the results to prove it. For more than five years, Dofasco has been one of North America's most profitable steelmakers and in 2000, we were named the global Basic Materials sector leader in the Dow Jones Sustainability Group Index.

At Dofasco, we have the determination to succeed.



DoSol Galva shows how Dofasco has utilized strategic alliances to be able to supply Extragal™, the product of choice for exposed automotive applications, benefiting our customers and our shareholders.

Environment and Energy

Our vision is clear.

Policy on Environment

At Dofasco, the conservation and protection of our natural environment is a fundamental consideration in our decision making. Environmental quality and the well-being of our community are primary goals for all Dofasco people.

We are committed to:

Sustainable Development. We will take an integrated approach to improve our environmental performance, improve the quality of life of our employees and the community, and achieve our financial goals.

Managing Resources. We will optimize the use of resources by reducing, reusing, recovering and recycling energy, raw materials, water and by-products.

Pollution Prevention. We will minimize our environmental impact through innovative design and practices to improve our processes and our products.

Product Stewardship. We will work with our customers and suppliers to maximize the inherent advantages of steel's strength, recyclability and cost-effectiveness across the steel product life cycle.

Continual Improvement. We will use our environmental management system, which includes setting objectives, assigning responsibilities, communication, training, auditing, and assessing risks, to achieve this.

Exceeding Expectations. We will meet standards set by legislation and go beyond compliance where appropriate through voluntary commitments to stakeholders.

The manufacturing of steel requires the use of raw materials, recycled materials and energy. Consistent with our commitment to sustainability, it is Dofasco's responsibility to use these resources efficiently, productively, responsibly and safely.

We continued our efforts in 2000 to improve our performance according to our key measures in the areas of energy use, emissions to air and water, and the management of secondary materials. Additionally, our Environmental Management Agreement (EMA) and National Pollutants Release Inventory (NPRI) performance showed steady progress.

These efforts are an ongoing commitment.

Importantly, Dofasco began aligning its existing Environmental Management System (EMS) with the internationally-recognized ISO 14001 environmental management system standard. DoSol Galva, the company's Hamilton-based 80% joint venture with Usinor, received ISO 14001 registration in 2000. The remainder of Dofasco's Hamilton operations is on track to achieve registration by the end of 2001. Powerlasers, a subsidiary of Dofasco, is also ISO 14001 certified. Newly acquired subsidiaries will be included in our environmental and social reporting in 2001.

In an A.D. Little benchmarking survey of North American heavy industry, Dofasco was recognized as possessing a well-designed and implemented EMS and was found to have best-in-class practices for several of the elements surveyed.

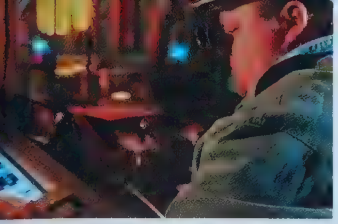
Dofasco was the first company in Canada to sign a voluntary Environmental Management Agreement with the federal and provincial governments in 1997. In 2000, we participated in our second annual progress meeting with government and reported that Dofasco has already met many of the agreement's specific commitments. We are on – or ahead of – schedule to meet the remainder. Highlights include:

[illegible]	Status
Reduce Polycyclic Aromatic Hydrocarbons from 1993 levels by 30% by the end of 2000 and 50% by the end of 2005.	Achieved reduction of 65% by the end of 2000. Well ahead of 2005 commitment.
Reduce benzene emissions from 1993 levels by 50% by end of 1997 and 80% by end of 2000.	$9.4 million benzene reduction project has reduced emissions by 83% and exceeded expectations.
Reduce Specific Energy Consumption by annual average of 1% between 1990 and 2000.	Exceeded expectations by averaging a 2.0% annual reduction in Specific Energy Consumption since 1990.
Enhance 5,000 square metres of property through greenbelting by end of 1999.	5,000 square metres enhanced by greenbelting by end of 1998. More than 34,000 square metres greenbelted since 1995.
Meet Municipal-Industry Strategy for Abatement (MISA) targets.	Meeting all loading limits. In 2000 we exceeded two pH limit checks resulting in 99.9% compliance rate.
Participation in Hamilton Harbour Remedial Action Plan (HHRAP).	Dofasco continues involvement in this and other community-based organizations committed to harbour remediation.
Increase use of recyclables.	Used 1.6 million tonnes of scrap in 2000, up 6% from 1999.
Destroy 100% of stored, drummed PCBs by end of 2000.	Accomplished in first quarter of 1999. In addition, Dofasco safely removed 33 PCB transformers from service and destroyed 46,500 kg of liquid PCBs in 2000.
Reduce by 50% aggregate Accelerated Reduction and Elimination of Toxics (ARET) parameters from 1990 levels by 1998.	Accomplished by 1998. Exceeded expectations and achieved a 61% reduction to date.

Energy

Steelmaking is an energy-intensive business. Dofasco is committed to continuously improve energy efficiency, for both environmental and financial reasons. In particular, we are committed to addressing Specific Energy Consumption (SEC) and emissions of carbon dioxide (CO_2). Scientific research indicates that greenhouse gases such as CO_2 are contributing factors to climate change.

As part of a Canadian steel industry commitment, Dofasco agreed to reduce SEC by 10% between 1990-2000. Dofasco surpassed this commitment, achieving a reduction of 19.5%. We have renewed our commitment for the period of 2000-2010. Dofasco supports voluntary energy efficiency improvements as our principal response to climate change and is engaged with government and industry peers in this effort.



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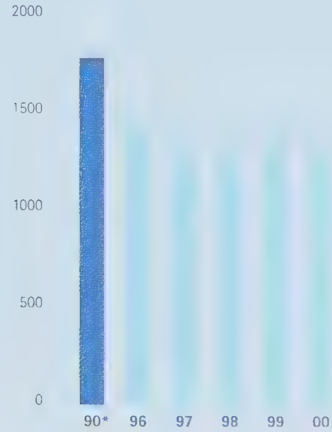
Dofasco has reduced Specific Energy Consumption by an average of 2% a year since 1990.

This power station supplies energy to Dofasco's Primary Manufacturing operations.

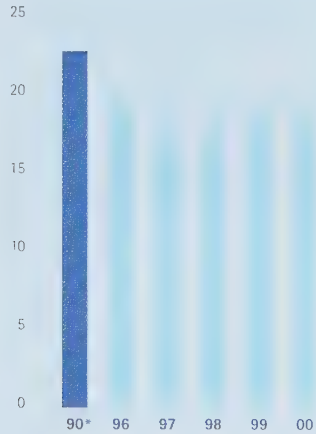
The increased use of Electric Arc Furnace steelmaking, which is less energy intensive than traditional steelmaking, contributed to improved energy consumption in 2000.



Carbon dioxide emissions to air

kg/tonne shipped

* base year



Energy rate (SEC)

gigajoules/tonne shipped

* base year

SEC improved 0.5% from 1999 to 2000. Less energy required to make our integrated KOBM slabs, coupled with an overall shift to the less energy-intensive production of EAF slabs, were major contributors. In addition, natural gas, which is less carbon intensive, accounted for a greater percentage of our energy mix. As a result, both total CO_2 emissions and CO_2 per tonne shipped improved in 2000.

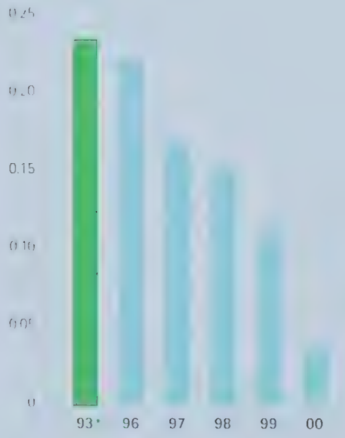
As part of our efforts to reduce energy costs, improve competitiveness and minimize environmental impacts, Dofasco is examining the attractiveness of a co-generation facility. This effort will continue in 2001.

Dofasco's Primary Manufacturing and Utilities operations account for roughly 85% of the company's energy consumption. As a result, these areas have received greater focus for energy reduction initiatives. However, each business unit has been provided the tools that allow them to: define and track energy performance, identify areas of potential improvement, set specific goals and resource and implement projects.

Dofasco provides leadership through involvement with industry and stakeholder groups. A Dofasco employee represents the Canadian steel industry and also acts as Vice-Chair of the Canadian Industry Program for Energy Conservation (CIPEC). The company is also engaged in the Ultra Light Steel Auto Consortium Projects: ULSAB (Body), ULSAC (Closures) and ULSAS (Suspensions). These projects are all part of a multi-phased study to demonstrate steel's capability to reduce substantially the weight of a vehicle's body structure and at the same time, ensure safety, fuel efficiency and lower emissions.

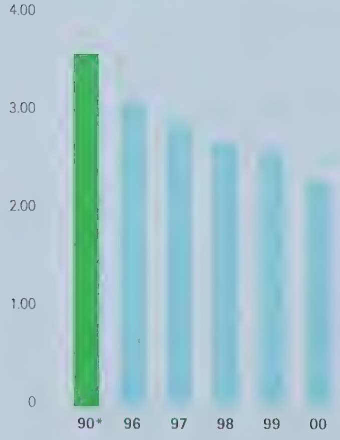
Dofasco provides funding to the Centre For Advanced Gas Combustion Technology (CAGCT) for research into high-efficiency, low nitrogen oxide (NOx) combustion, and to the BIOCAP Canada Foundation for research into strategies that reduce greenhouse gas emissions by increasing the amount of carbon stored in soil, crops and trees. The CAGCT and BIOCAP are both based at Queen's University.

air



Benzene emissions to air

kg/tonne shipped
* base year



Sulphur dioxide emissions to air

kg/tonne shipped
* base year

This year, Dofasco surpassed its voluntary commitment to reduce emissions of benzene by 80% by the end of 2000 from 1993 levels. Benzene emissions were reduced by 83%.

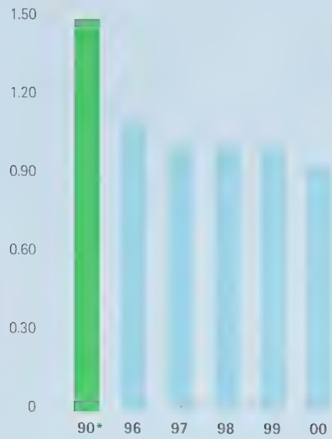
In 2000, Dofasco participated with federal and provincial government, industry members and other stakeholders in addressing a number of concerns related to air quality. For instance, Dofasco participated in the development of Codes of Practice for emissions to air of Polycyclic Aromatic Hydrocarbons (PAHs). Codes of Practice create a set of shared objectives and uniform measurement standards, which allow for the creation of industry-wide targets to be achieved with voluntary action.

The Canadian Council of Ministers of the Environment launched an initiative to develop Canada-Wide Standards for priority substances, such as dioxins and furans. Working

[left to right]

More than $2.3 million was invested in 2000 on dust abatement activities, such as greenbelting, to reduce wind-blown dust.

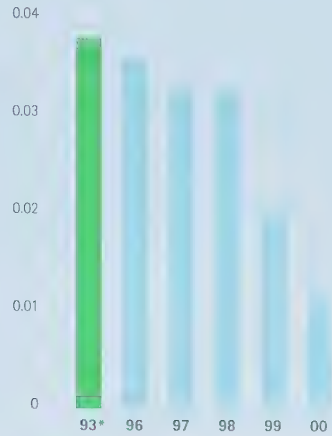
Dofasco has an ongoing program to retrofit our heavy machinery, such as transporters, with low-emission engines, reducing both air emissions and maintenance costs.



Nitrogen oxides emissions to air

kg/tonne shipped

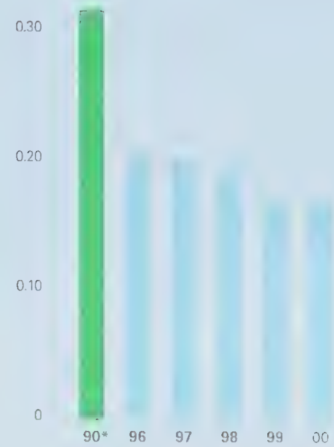
* base year



PAHs emissions to air

kg/tonne shipped

* base year



Particulate emissions to air from point sources

kg/tonne shipped

* base year

with Environment Canada, we voluntarily tested our plant for these emissions and were well below the levels proposed.

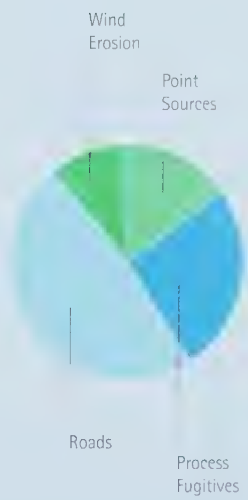
Dofasco also worked with the provincial government in developing an Airborne Contaminant Discharge regulation and volunteered to participate in the province's Selected Targets for Air Compliance (STAC) project. This project measures emissions and assists in prioritizing substances.

Wind-blown dust is a concern to Dofasco and our neighbours. Dofasco invested more than $2.3 million in 2000 to reduce the amount of suspended particulates, such as road dust. More than 70,400 square metres of roads were newly paved, using 7,200 tonnes of recycled Dofasco steel slag in the asphalt. Also, 2,560 square metres of Dofasco property were enhanced this year through greenbelting – the planting of trees and grasses. An extensive road-sweeping program was also undertaken.

The demolition of Dofasco's No. 1 Hot Mill was completed in 2000 and the space is being used for coil storage. Berming, fencing and greenbelting were an important part of this project for both aesthetic considerations and dust control. Dofasco is also a member of the Hamilton Industrial Environmental Association, which includes a Community Advisory Panel (CAP). CAP put a high priority on air quality and suggested greenbelting as an area of focus. In response, HIEA budgeted $100,000 to greenbelting for 1999 and 2000. This effort will continue in 2001.

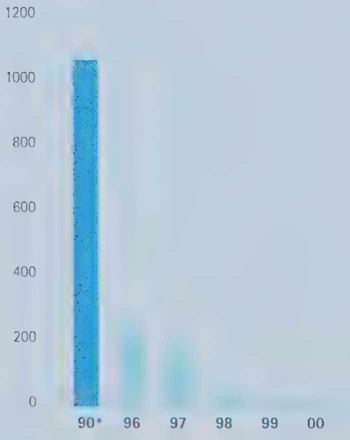
Dofasco, along with other Ontario steel producers, is a participant in the Anti-Smog Action Plan, which aims to reduce emissions of NOx, volatile organic compounds (VOC), sulphur dioxide (SO_2), PM_{10} and $PM_{2.5}$ (fine particulates). Discussions to define plans and commitments between industry and the Ontario Ministry of the Environment progressed in 2000 and are expected to be finalized in 2001.

On August 11, a fire occurred while work was being conducted on a coke oven gas pipe. The fire was contained and extinguished. However, while repairs were being made, visible emissions were reported. Procedures for pipe repairs have been revised to prevent a reoccurrence and a task force was created to review pipe inspection programs.



Inventory of particulate emissions

Water



Total process effluent to Hamilton Harbour

g/tonne shipped
* base year

Dofasco's "closed loop" recirculation system, which allows for the recirculation of virtually all process water in Primary Operations, performed well in 2000. The system eliminates the need to draw and ultimately discharge approximately 58 million cubic metres of water from Hamilton Harbour annually. As a result of this system, particulate loadings to Hamilton Harbour have been reduced by more than 99% since 1990. This system employs state-of-the-art technology and processes.

We are exploring additional areas of improvement. For instance, Dofasco completed construction of a 2,200 square metre stormwater pond in 2000 to reduce potential effluent loadings as a result of stormwater drainage.

A number of drainage areas and sewers have been redirected to the pond. Infiltration and a variety of plant life in the pond, such as cattails and bulrushes, will treat the run-off water. We are investigating the possibility of constructing a second stormwater pond.

Also in 2000, Dofasco initiated a water management study for waste water from cokemaking operations. Pilot plants were established to assess potential new water treatment technologies and processes.

Dofasco remains involved, through financial support and active participation, with organizations dedicated to the remediation of Hamilton Harbour, including the Hamilton Harbour Remedial Action Plan, the Bay Area Restoration Council and the Bay Area Implementation Team.

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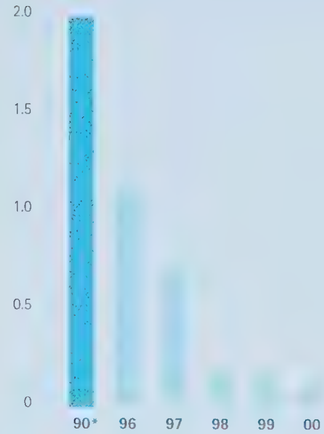
Dofasco conducts more than 7,000 analytical water tests each year.

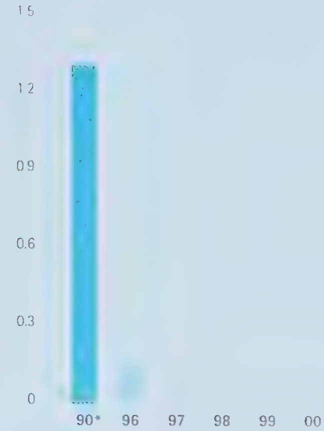
This pond was constructed in 2000 to capture stormwater run-off, which is treated by filtration and plant life in the pond



Zinc to Hamilton Harbour

g/tonne shipped

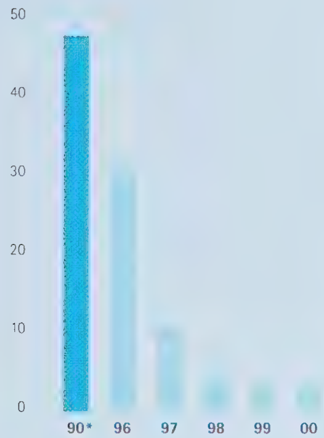
* base year



Phenol to Hamilton Harbour

g/tonne shipped

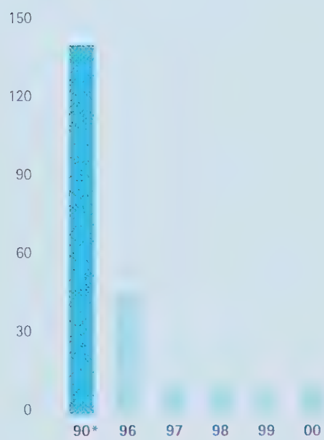
* base year



Ammonia to Hamilton Harbour

g/tonne shipped

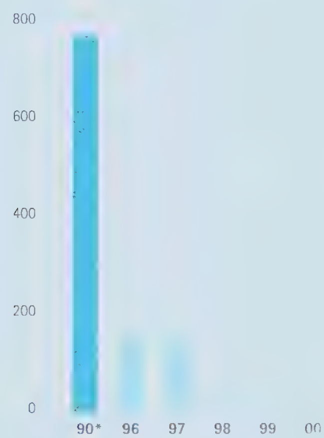
* base year



Dissolved organic carbon to Hamilton Harbour

g/tonne shipped

* base year



Suspended solids to Hamilton Harbour

g/tonne shipped

* base year

Two minor incidents at the No. 1 Hot Mill filtration plant resulted in non-compliance with the Municipal-Industrial Strategy for Abatement (MISA) water regulation. On June 26 and 27, pH levels of water leaving the plant dropped to 5.91 and 5.95, below the allowable range of 6.0 to 9.5. The Ministry of the Environment was notified and there was no environmental impact. The neutralization system at the filtration plant has been adjusted to prevent a reoccurrence.

Dofasco is committed to improving water quality and to outperforming requirements of the MISA.

Substance	MISA Limit (kg/day)	Dofasco Performance (kg/day)	
Suspended Solids	646	71.33	11%
Cyanide	19.8	0.19	1%
Ammonia	152	27.44	18%
Lead	6.08	0.18	3%
Zinc	11.7	1.11	9%
Phenolics	0.364	0.04	10%

Secondary Materials

In 2000, Dofasco worked with Hatch Associates to lay the foundation for the Golden Horseshoe By-Product Synergy Project. The project will seek to engage companies in the Golden Horseshoe area which, instead of disposing secondary materials, will work together to identify opportunities to use the secondary materials of one company as a feedstock at another. This would provide both economic and environmental benefits. Dofasco is Project Champion of this effort and is working with Hatch to launch the project in 2001.

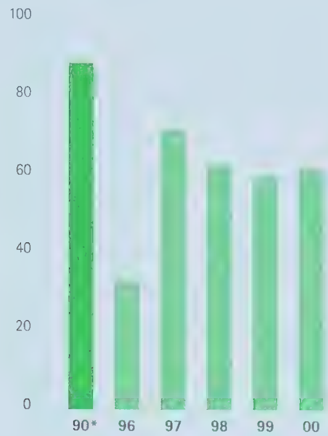
Dofasco also pursues these initiatives independently. In 2000, we began shipping Electric Arc Furnace (EAF) dust to a facility where valuable metals such as zinc are recovered and used in the manufacture of consumer goods, such as cosmetics and tires. Approximately 7,800 tonnes of EAF dust was shipped for this purpose in 2000.

Dofasco also undertook a feasibility study to recycle EAF drop-out box material, another secondary material of EAF steel manufacturing. Since drop-out box material is rich in iron, the study is exploring the possibil-

[left to right]

Dofasco produces approximately 230,000 tonnes of steel slags each year. This secondary material is recovered and used in a variety of applications, such as road aggregate.

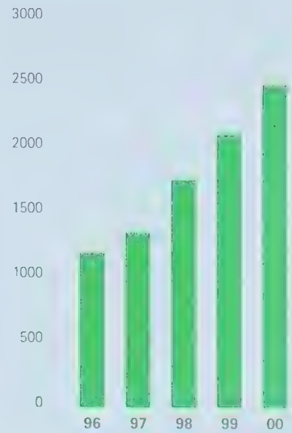
Thirty-three PCB transformers were replaced with non-PCB units as part of a PCB phase-out program.



Solid waste disposal

kg/tonne shipped

* base year



Blue box materials collected for recycling

tonnes

ity of using the material to charge Dofasco's Basic Oxygen Furnace. If successful, this could turn a secondary material of one steel-making process into a feedstock for another.

Steel slags are another area of opportunity. In 2000 the company sold 28,600 tonnes of steel slags for use in high quality road aggregate. Steel slags are also being used to replace limestone in the slag-coating of steel vessels.

Additionally, Dofasco began recovering valuable slag and other granular materials from on-site excavation. For example, when re-paving a road, old asphalt and granular base would previously have been sent to landfill. It is now sent to a crushing and screening facility, where slag and old asphalt are recovered and re-used, reducing waste to landfill and the need to purchase new material. Approximately 26,700 tonnes of material was recovered in this manner in 2000.

Dofasco advanced its phase-out program of electrical equipment containing PCBs. In 2000, we replaced 33 PCB transformers with non-PCB units, shipped approximately 46,500 kg of liquid PCBs to an approved destruction facility and safely disposed of approximately 195,000 kg of transformer shells. The phase-out of electrical equipment containing PCBs will continue in 2001.

In June 2000, successful clean-up was completed of PCBs that were released from an electrical transformer in November 1999. The PCBs were contained and there was no release of PCBs to the environment. However, this event underscored the importance of the PCB phase-out program.

Dofasco continues to pursue new opportunities in the management of secondary materials in order to reduce waste and increase economic benefits.

Substance Name	Direct Release to the Environment Tonnes/Year		Primary Release	Action Plan to Reduce Emissions
Ammonia	19	15		Continue Coke Battery leak reduction program and engineer new ammonia stills at By-Product Plant
Benzene	390	122		Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Chromium and its compounds	0.23	0.23		KOBM Secondary Emissions Control System
Copper and its compounds	0.14	0.14		KOBM Secondary Emissions Control System
Dioxins & Furans (TEQ*)	0.00000049	0.00000054		Investigate control options through the Canada-Wide Standards setting process
Ethylbenzene	1.4	0.67		Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Ethylene	33	24		Continue Coke Battery leak reduction program
Hexachlorobenzene	0.00015	0.00017		Investigate control options through the Canada-Wide Standards setting process
Hydrochloric Acid	45	43		Process and maintenance improvements at Pickle Lines and Acid Regeneration Plants
Lead and its compounds	0.48	0.49		KOBM Secondary Emissions Control System
Manganese and its compounds	3.1	3.1		KOBM Secondary Emissions Control System
Mercury	0.080	0.088		Work with other industrial sectors to develop pollution prevention opportunities
Nickel and its compounds	0.13	0.13		KOBM Secondary Emissions Control System
Polycyclic Aromatic Hydrocarbons	70	41		Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Styrene	1.1	0.6		Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Toluene	39	15		Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Xylene	5.4	2.9		Optimize emission controls at Coke Plant By-Product areas and continue Coke Battery leak reduction program
Zinc and its compounds	13	13		KOBM Secondary Emissions Control System

Note: Air release inventories of metal and volatile organic compounds (e.g. benzene and toluene) were updated in 1999 to reflect new information and estimation techniques. The data in this table will be submitted to Environment Canada as part of our National Pollutant Release Inventory reporting requirements.

*TEQ: Toxic Equivalents as 2, 3, 7, 8 – TCDD using International Toxic Equivalency Factors.

Ammonia (NH_3)	A colourless gas with a sharp irritating odour. Easily soluble in water. Ammonia is a by-product of cokemaking. Ammonia is removed from coke oven gas and sold.
BOF Oxides	An iron rich by-product recovered from the Basic Oxygen Furnace gas cleaning system.
Benzene	A flammable, colourless to light yellow volatile aromatic hydrocarbon. Benzene is a by-product of cokemaking. Benzene is recovered from coke oven gas and sold.
Carbon Dioxide	An odourless, colourless gas. A product of combustion of a fuel containing carbon.
Climate change	A change in the average weather. This might encompass changes in temperature, precipitation and wind patterns. On a global scale, it refers to changes in the climate of the earth as a whole.
Coke oven gas	A gaseous fuel that is generated when volatile materials are driven out of coal during the coking process. Coke oven gas is distributed throughout the plant and used as a fuel to offset purchases of natural gas and oil.
Dioxins and Furans	Dioxins and furans are two closely related families of chlorinated chemicals formed as a by-product of the combustion process. Dioxins and furans are substances that require management under the Canadian Council of Ministers of the Environment Policy for the Management of Toxic Substances.
EAF drop-out box material	The heavier fraction of slag-like material from the Electric Arc Furnace that is collected in the front end of the gas cleaning system.
EAF dust	An iron and zinc rich by-product recovered from the Electric Arc Furnace gas cleaning system.
Gigajoule	A measure of energy. A gigajoule equals 1,000,000,000 joules. A 100-watt light bulb turned on for one second consumes 100 joules. Another measure of energy is British Thermal Units, or BTUs. One BTU equals 1054.8 joules.
Greenbelting	Planting of trees, shrubs and grass to reduce wind-blown dust from open areas.
Greenhouse gas	Any one of several heat trapping gases (e.g. water vapour, carbon dioxide, methane) that absorb heat emitted by the earth, thereby retarding the loss of heat to space. Excess greenhouse gases may cause climate change.
Nitrogen Oxides (NOx)	A product of combustion which contributes to the formation of smog and acid rain.
Particulates	Finely divided solid or liquid particles in the air or in an emission. Particulates include dust, smoke and fumes.
pH	pH is a value which represents the acidity or alkalinity of a solution. Pure water has a pH of 7.
Phenol	A class of aromatic compounds in which one or more hydroxyl groups are attached directly to the benzene ring. Phenol is a by-product of cokemaking.
Polycyclic Aromatic Hydrocarbons (PAHs)	PAHs is a term used to collectively describe more than 100 different compounds. All of these compounds are organic substances made up of carbon and hydrogen. PAHs are released from cokemaking operations. Most are removed from the coke oven gas stream and sold in by-products such as coal tar.
Primary Manufacturing Facilities	Includes Cokemaking, Ironmaking, Steelmaking and Hot Rolling processes. At the Primary manufacturing facilities, raw materials are made into steel and then rolled into coils for further processing.
Secondary Material	Broadly defined as feedstocks, co-products and residuals that are generated as a consequence of the steelmaking process. Examples of secondary materials include BOF oxides, coal tar and EAF dust.
Slags	Fused agglomerate that separates in metal smelting and floats on the surface of molten metal. Slags are sold and used in a number of different applications.
Specific Energy Consumption	The net consumption of energy in a process or group of processes per unit of product output.
Sulphur Dioxide (SO_2)	A colourless, pungent gas formed by the combustion of fossil fuels – has been identified as one cause of acid rain.
Sustainability	A concept that has emerged in recent years, based on the premise that development must meet the needs of the present generation without compromising the ability of future generations to meet their own needs.
Total Process Effluent	The total discharge of ammonia, phosphorus, suspended solids, oil and grease, dissolved organic carbon, phenolics and cyanide.
Total Suspended Solids (TSS)	Solids that either float on the surface or remain suspended in liquids.
Volatile Organic Compounds (VOCs)	Any hydrocarbon, except methane and ethane, with a vapour pressure equal to or greater than 0.1 mm Hg. For example, benzene is a VOC.

Social Well-being

At Dofasco, our employees are a key competitive advantage. Respect and concern for employees is a core company value. This has been manifested in many ways throughout our history. The company has a strong tradition of helping employees and their families achieve their aspirations and enjoy a better quality of life. Examples of this commitment include Dofasco's 100-acre recreation park for employees, the 22,000-person Christmas party and a compensation structure that shares the rewards of superior performance.

As a natural extension of this core value, we have historically supported the communities in which our employees live. This support extends to all facets of the community – economic development, education, arts and culture, health, athletics and civic causes.

We have a vested interest in a vibrant local economy and a strong social fabric and understand that the quality of life in our community is a critical competitive factor.

A superior quality of life translates into essential services for employees, such as health care and education. It's good for our employees and their families and makes it easier for us to hire and retain the best and brightest. It attracts regional economic development, which means world-class suppliers and trading partners and a thriving economy.

In this Annual Report, Dofasco is advancing its commitment to communicate with our stakeholders. Last year, we published an insert in the Hamilton Spectator entitled *Dofasco Report to the Community.* That was the first step. This is the next step in our journey.

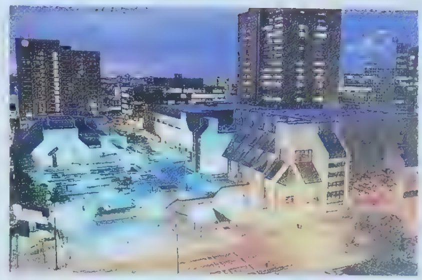
We are reporting our progress in contributing to social well-being, one pillar of sustainability. For Dofasco, this assessment focuses on contribution in respect to our employees and various communities.

We recognize that this assessment is largely qualitative, and we will work on further developing quantitative metrics in future reports. In the meantime, we will do our best to provide a clear and accurate picture of our commitment to social well-being.

It is a priority for Dofasco to engage in economic development activities on a local, regional and national scale. In supporting economic development, we support our own future by increasing our ability to attract and retain employees, ensuring future markets, maintaining a viable tax base and enhancing our overall competitiveness.

This begins through our direct interaction with suppliers. Dofasco has a network of more than 2,000 suppliers in the Hamilton region alone (5,000 throughout Canada). Our suppliers are important allies in assisting us to manage our costs. They are represented internally on cross-functional commodity teams that work to maximize the value derived from our purchasing dollars. These teams look for opportunities to improve our cost structure either through lower prices, improved ordering, utilization and inventorying practices, alternative supply or product substitution.

On a broader level, Dofasco is a participant in our national economic development. Significantly in 2000, Dofasco was a sponsor and lead organizer of *Canada's Key Choices: Creating a Culture of Opportunity,* a summit that brought together more than 230 participants from business, government, health care, academia and the voluntary sector. The summit, also sponsored by Industry Canada and the University of Toronto's Joseph L. Rotman School of Management, was a forum in which participants could explore common ground upon which to build a national framework for sustaining and improving Canadians' standard of living.



A Report of Proceedings was prepared and distributed to participants and policy makers. The summit was also webcast to interested members of the public and was widely reported in the media.

Dofasco works with a number of economic development organizations, such as the Hamilton Chamber of Commerce, Canadian Chamber of Commerce, The Burlington Economic Development Corporation, the Hamilton Downtown Partnership, and Ventures, an investment program to bring venture capital and growth businesses together in the Hamilton-Wentworth, Halton, and Niagara regions.

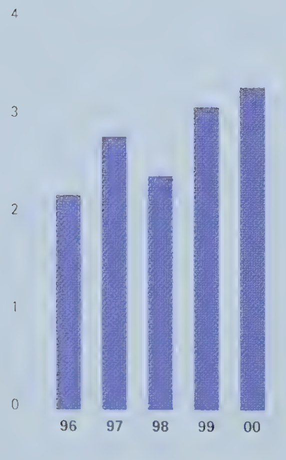
- Paid approximately $500 million in direct wages to employees
- Paid approximately $500 million in direct local purchases
- Paid approximately $550 million in raw materials and energy purchases in Ontario and Quebec
- Paid approximately $620 million in raw materials and energy purchases from across Canada
- Paid $27.5 million in municipal taxes in Hamilton
- Invested $216 million in capital expenditures
- Worked with 2,000 commmunity-based suppliers

The City of Hamilton and surrounding communities is home to thousands of Dofasco people, their families, friends and neighbours. Dofasco and its employees engage at every level in the community, through donations, voluntarism and civic leadership.

In 2000, Dofasco and its employees donated more than $3.3 million to more than 160 charitable organizations, the majority of these Hamilton-based. This level of donations represents approximately $460 donated per Dofasco employee. Dofasco is recognized as a Caring Company by the Imagine program of the Canadian Centre for Philanthropy. The company encourages community support and engagement among its joint ventures throughout North America.

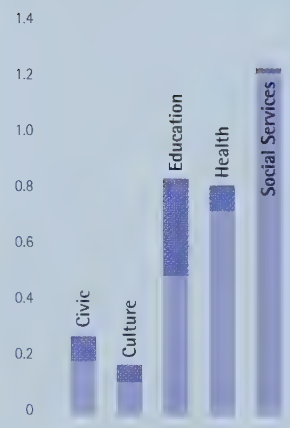
Dofasco employees log thousands of hours of volunteer time at dozens of local organizations. Employee voluntarism has not yet been tracked, but it is our intention to explore methods to capture and report this indicator in future reports.

In the community at large, Dofasco has five general areas of priority: health care, education, arts and culture, social services, and activities that enhance the community at



Total company and employee donations

millions of dollars



2000 donations by sector

millions of dollars

Total

Local community

large. Dofasco supported all five of these areas in 2000. Additionally, Dofasco supports the Canadian democratic process through a political contribution policy, with an annual contributions budget established by the Board of Directors.

Some particular achievements in 2000 include:

Health Care

The region's third MRI (magnetic resonance imaging) unit was delivered to the General Division of Hamilton Health Sciences Corporation in November. Dofasco and Dofasco employees contributed $1.1 million toward the purchase of the unit. Hundreds of individuals throughout the community followed with personal contributions to raise the $2.5 million required.

Social Services

Dofasco remained the largest supporter of the Hamilton-Wentworth United Way, providing approximately $780,000 in employee and company donations. Our leadership position in this area is an ongoing commitment.

We are working with the United Way to expand their funding pool to ensure a sustainable source of funds for this essential community organization.

Also in 2000, Dofasco and its employees contributed more than $170,000 to five local food banks and Greater Hamilton Food Share. An average of 15,000 people per month, 40% of whom are children, turn to the emergency food banks for assistance in the Hamilton area.

Education

Dofasco is a Founding Sponsor of the Sustainable Enterprise Academy (SEA) at the Schulich School of Business at York University. The SEA's mission is to provide senior executives with the vision, education, tools and support to champion sustainable development in their organizations. Dofasco President and CEO John Mayberry, as well as other senior executives, completed the program in 2000.

We work with the Hamilton Industry Education Council and with several local school boards, colleges and universities to provide a variety of programs. In addition to participating in the "Take Our Kids To Work Day" in Ontario, the company offers co-op student programs, week-long science and technology study modules for Grade 8 students and opportunities for MBA students to get involved in real-life projects. The company works with local colleges to train apprentices and skilled trades people.

Arts and Culture

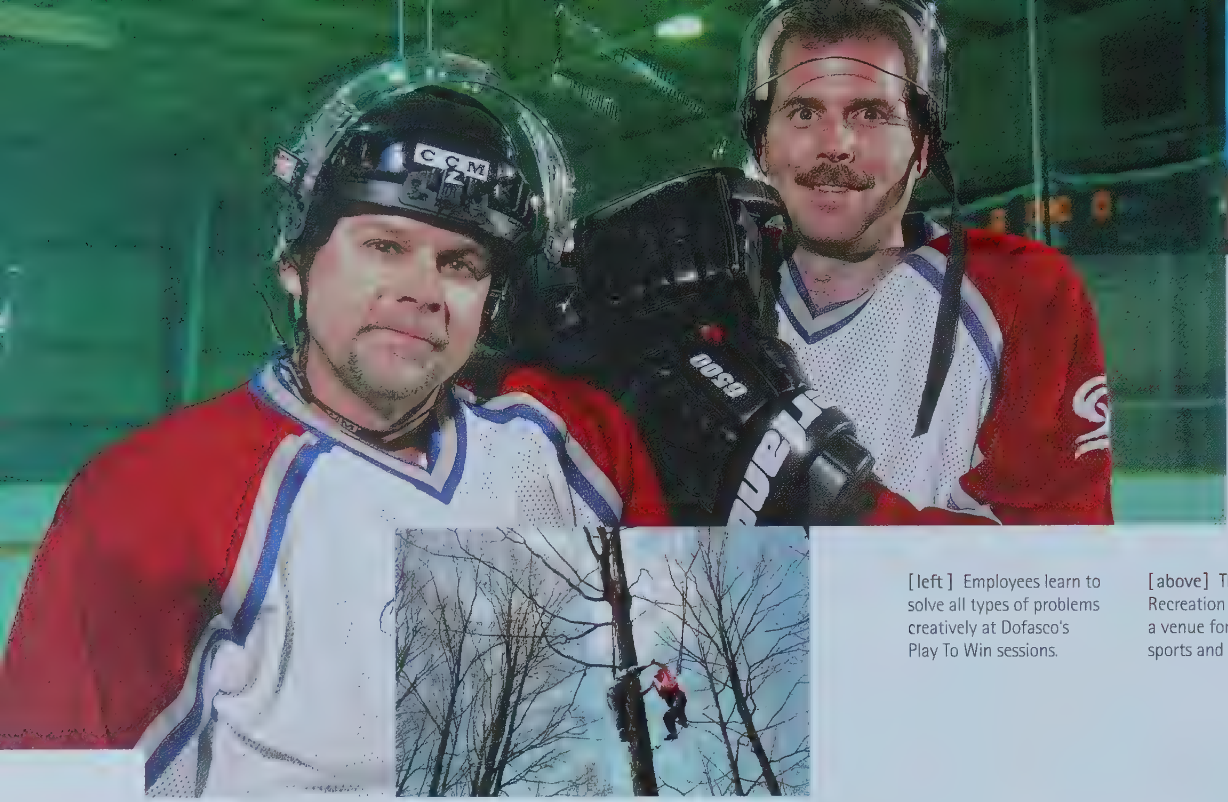
In 2000 Dofasco continued its sponsorship of the "Families First" program at the Art Gallery of Hamilton. Held the first Sunday every month, Families First generates interaction between caregivers and their children. Activities are planned that relate to current exhibitions and under the guidance of local artists, everyone discovers how much fun art can be. More than 1,200 children and adults participated in this interactive family program.

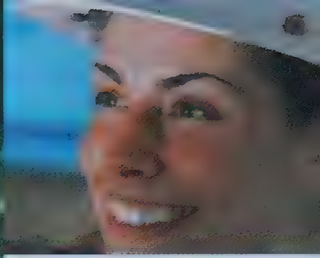
Dofasco continues to support a number of local and regional theatres, including the Stratford Festival, which the company has supported continuously since its debut in 1953.

Community Activities

Dofasco was a sponsor of the 2000 International Children's Games, held in Hamilton in July. The city was home to 2,000 young athletes representing 26 countries from around the world. The Games were established to promote development of youth through sport and the Olympic ideal.

* Note: Dofasco is committed to transparent communication with stakeholders, which includes a clear description of the types of organization the company supports financially. Please refer to Dofasco's website (www.dofasco.ca) for the company's Guidelines for Investment.





Dofasco is ranked among the best companies to work for in Canada.

[left] Employees learn to solve all types of problems creatively at Dofasco's Play To Win sessions.

[above] The F. H. Sherman Recreation and Learning Centre is a venue for dozens of employee sports and recreation activities.

For decades, Dofasco has been among the most successful steel companies in the world. The reason is simple: Dofasco people are a powerful competitive advantage. They give Dofasco its unique identity. And its strength.

Our commitment to people is demonstrated in a wide variety of ways: through professional development and education opportunities, progressive human resources policies, compensation philosophies and health and safety programs and the support of after-work activities, such as sports and recreation at Dofasco's 100-acre recreation park.

In 2000, 285 new employees attended Play To Win sessions, held at a resort in Beaver Valley's UNESCO World Biosphere Reserve. Here, they learn to approach problems creatively and cooperatively, and to further develop their individual commitment to personal and professional growth. Every Dofasco employee has the opportunity and is encouraged to attend these sessions.

Dofasco invested $16 million in employee training and development in 2000. These activities included technical training courses and seminars, leadership development, management training, computer training and on-the-job skills development.

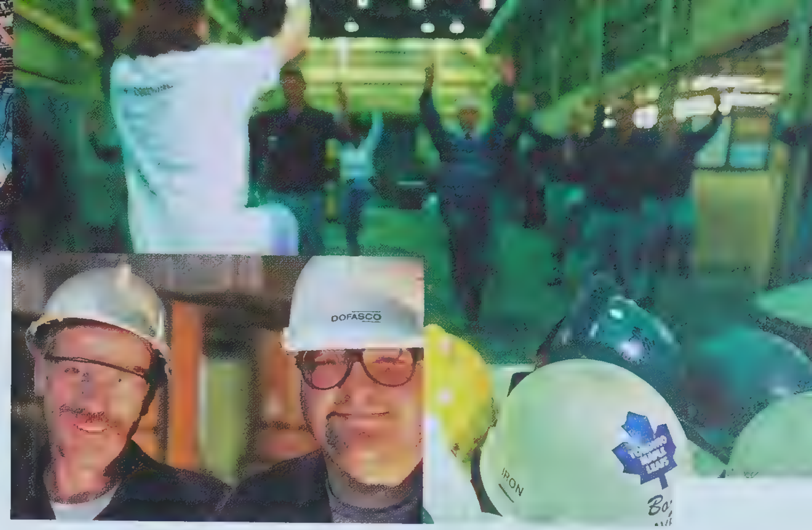
Our compensation philosophy is simple: when our shareholder wins, we all win. In addition to hourly and salaried wages, compensation is linked directly to company performance. In 2000, Dofasco distributed $38.8 million in profit sharing – 14% of the company's pre-tax profits from Hamilton steel operations – to employees, or $5,690 per employee. Half this amount is deposited in each employee's retirement account. The remainder can also be deferred to this account, or withdrawn at the employee's discretion.

Employees also received compensation from our Variable Compensation Plan, which provides a percentage of earnings as a variable bonus, based on meeting clearly communicated performance objectives.

Dofasco conducts quarterly surveys in which employee perception trends are tracked for key issues affecting satisfaction. Since we began measuring employee perceptions in 1998, there has been a steady improvement overall, as well as in the individual areas of measurement. In 2000, more than 80% of employees who responded to the survey indicated they were either satisfied or very satisfied working at Dofasco.

Also in 2000, Dofasco received recognition from Michael Jantzi Research Associates, who indicated that "Dofasco's initiatives to encourage employee participation and involvement" constitute one of the company's strengths. *Report On Business Magazine's* annual survey of Canada's "35 Best Companies To Work For" ranked Dofasco 27th.

Individual business units are active in improving health and safety performance and celebrating success.



Lost Time Injuries and All-reported Injury Frequency improved in 2000, continuing a trend of steady improvement.

[above] Employees participate in a pre-shift Walk and Stretch program, part of Dofasco's Lifestyle Program

Dofasco's commitment to health and safety reflects the value the company places in ensuring an excellent quality of life for its employees. Nothing is more important than health and safety. Our goal is to achieve an accident-free workplace. Anything less is unacceptable.

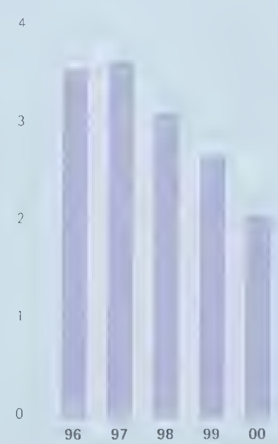
Dofasco continued a strong trend of steady improvement in health and safety performance in 2000. Lost Time Injuries were reduced by 25% from 1999 and have been reduced by 55% over the past six years. All-reported Injury Frequency was reduced by 9% from 1999 and has shown a positive reduction six years in a row. Additionally, business units within the company are increasingly active in improving "local" health and safety programs and hosting health and safety days. Business units are also tracking the duration of periods without accidents or lost-time injuries.

These improvements are the result of strong visible commitment by leadership and the engagement of employees across the company. A comprehensive Health and Safety Program, which is integrated into the company's annual business planning process, has supported the achievement of our improvement objectives. Annual plans and progress are shared with Dofasco's Board of Directors.

DuPont Safety Resources provides a third party evaluation of Dofasco's health and safety management system and progress. "Dofasco has made significant strides in internalizing the Accident Free Workplace concept. Most importantly, employee actions are better aligned with this objective. Dofasco is capable of continuing to make significant improvements," reported DuPont after the Oct. 6, 2000 evaluation.

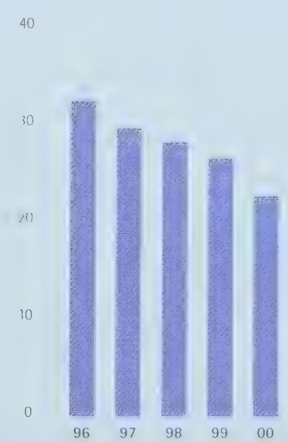
The company also continues to increase its efforts to offer health and wellness programs to employees through Dofasco's Lifestyle Program. The program is embraced by employees and in large part driven by their engagement. Successes in 2000 include:

- More than 460 employees participated in fitness appraisals
- Approximately 180 people participated in noon-hour aerobics classes
- More than 2,200 people are involved in Back Power sessions
- Participation in our Walk and Stretch programs has quadrupled since 1998
- 227 people joined Weight Watchers at Work. Since starting the program in 1997, employees have lost a combined total of nearly 15,000 pounds
- More than 3,000 people attended the annual Health and Safety Fair, a two-day event organized by employees



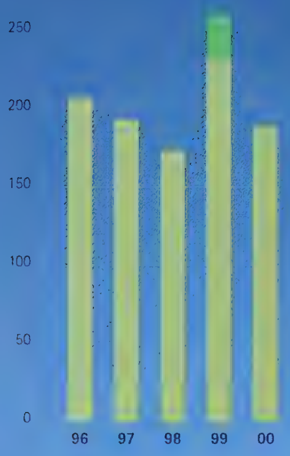
Lost time injuries

injuries per 100 employee-years



All-reported injury frequency

injuries per 100 employee-years



Consolidated net income

millions of dollars

Normal operations
Other items

Dofasco Inc. posted very good earnings in 2000, despite a North American steel marketplace significantly impacted by record levels of low-priced, often unfairly traded, imports.

Excellent operating performances at the company's Hamilton operations and at Gallatin Steel, Dofasco's joint venture minimill facility in Kentucky, and continued profitable operations at Quebec Cartier Mining, the company's joint venture iron ore mining facility in Quebec, contributed to Dofasco's 2000 consolidated net income of $188.7 million. After deducting preferred share dividends, consolidated net income attributable to common shares for 2000 was $188.1 million, or $2.47 per common share. This represents Dofasco's second highest earnings per share since 1989.

In 1999, Dofasco posted its best results of the past decade, with consolidated net income attributable to common shares of $260.2 million, or $3.16 per common share. In 1999, Dofasco sold its investment in the Iron Ore Company of Canada (IOCC), resulting in an after-tax gain of $28.0 million ($0.34 per share). Excluding this gain provides a more appropriate comparison of year-over-year financial performance. Without the effect of the IOCC sale, 1999 earnings were $232.2 million, or $2.82 per common share.

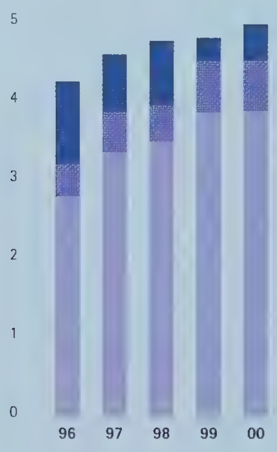
Gross Income

Dofasco's consolidated gross income was $560.5 million in 2000, down 15.5% from $663.0 million in 1999.

Segmented analysis of gross income is provided for:

- Steel Operations (which includes the company's Hamilton operations, Dofasco USA, Powerlasers, DoSol Galva, Dofasco de Mexico and Dofasco's share of Baycoat, DNN Galvanizing, Sorevco and Wabush Mines);
- Gallatin Steel Company; and
- Quebec Cartier Mining Company (QCM).

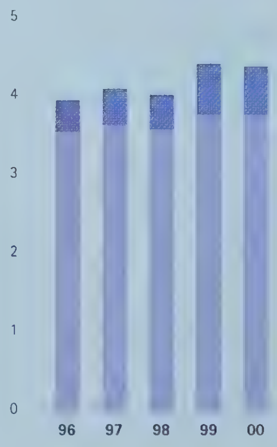
Note 19 to the Consolidated Financial Statements provides further segmented information for each of these three reporting segments.



Steel production

millions of net tons

Hamilton production
Gallatin production
Purchased semi-finished steel



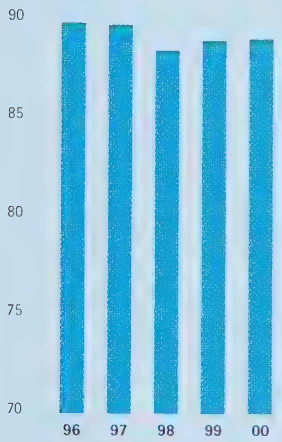
Steel shipments

millions of net tons

Hamilton
Gallatin

Steel Operations

In 2000, gross income from Steel Operations was $487.2 million, a decline of $107.1 million or 18% from $594.3 million in 1999. Most of the decline resulted from lower earnings at Dofasco's Hamilton operations, the largest component of Steel Operations, where an excellent plant operating performance and an improved product mix helped mitigate the impact of higher manufacturing costs and a rapid decline in selling prices through the last half of the year.



Shipped yield
Hamilton operations

percentage

Sales

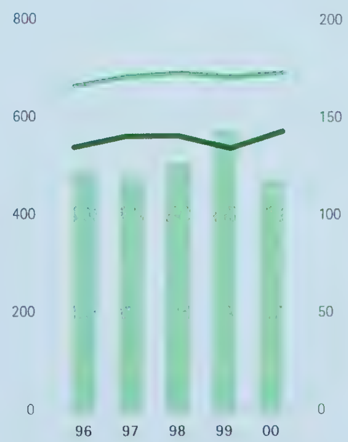
Demand for Dofasco's flat rolled and tubular steel products was strong through most of 2000, with some weakening late in the year. Total sales for the year for Steel Operations were $2,805.0 million, a slight increase from 1999 sales revenue of $2,760.0 million.

Flat rolled and tubular product shipments of 3,795,000 tons in 2000 were relatively unchanged from the near-record level of 3,806,000 tons in 1999. However, the product mix improved as galvanized shipments grew to comprise more than 42% of the total and high valued tubular products destined for hydroforming into automotive parts increased to almost 4% of the mix. The average revenue realized per ton of steel shipped in 2000 was higher than in 1999, although it did decline steadily in the last half of the year, primarily a result of the record levels of low-priced imports of flat rolled steel products into Canada.

Cost of sales

Total cost of sales for 2000 increased to $2,317.8 million, 7% higher than $2,165.7 million in 1999. The average production cost per shipped ton of flat rolled and tubular products increased, reflecting:

- higher costs associated with the higher value-added product mix;
- higher maintenance expenditures, mostly related to planned projects completed during the year;
- higher energy prices, primarily natural gas and oil;
- higher employment costs as a result of increased employment levels, higher wage rates and higher health care benefit costs; and
- higher pension and post-employment benefit expenses primarily reflecting plan improvements.



Average revenue, cost and gross income
Hamilton operations

dollars per net ton

Revenue
Cost
Gross income (right hand scale)

Gallatin Steel

Gallatin Steel delivered significantly improved results in 2000, as the joint venture minimill in Kentucky achieved its first year of profitability despite a decline in shipments. Dofasco's share of Gallatin's gross income in 2000 was $36.1 million, compared to $15.4 million in 1999.

Gallatin's results were driven by an excellent operating performance and by a strong U.S. market for hot rolled steel in the first half of the year. High levels of low-priced imports negatively impacted Gallatin's financial results in the second half of the year. Gallatin and other U.S. steelmakers initiated unfair trade actions to ensure that international trade laws are upheld.

Having made significant improvements in operating performance, quality and customer service, Gallatin is well positioned to return to profitability when the U.S. hot rolled market returns to a more balanced supply/demand situation.

Sales

Dofasco's share of Gallatin's 2000 sales revenue was $266.1 million, an increase of $17.9 million, or 7% from $248.2 million in 1999. Successful U.S. trade actions and continued high levels of steel consumption, particularly in the first half of 2000, resulted in higher selling prices early in the year. However, rising imports and declining steel consumption in the latter part of the year caused a significant drop in selling prices. Despite this, Gallatin's average revenue per ton shipped increased 12% over 1999.

Gallatin's shipments declined by 4.3% in 2000 from 1999's record levels, despite achieving a record shipment quarter of 348,000 tons in the second quarter of the year. Dofasco's share of Gallatin's shipments for the year in total was 621,000 tons compared to 649,000 tons in 1999.

Cost of sales

Dofasco's share of Gallatin's 2000 cost of sales dropped slightly to $230.0 million in 2000 from $232.8 million in 1999. Lower costs associated with lower volumes were virtually offset by higher scrap, maintenance and electricity costs.

Quebec Cartier Mining

Dofasco's 50% share of Quebec Cartier Mining Company's gross income in 2000 was $39.8 million, down from $48.7 million in 1999.

Sales

Market conditions in the iron ore industry were very strong in the first half of 2000, but declined in the latter part of the year, reflecting declining North American and European steel production.

Dofasco's share of QCM's revenue in 2000 was $269.6 million, down from $278.7 million in 1999. Lower volumes and a slightly less favourable product mix caused the decline. These were partially offset by the impact of a weaker Canadian dollar and higher world iron ore prices.

Dofasco's share of QCM's shipments for the year was 7.2 million tonnes, compared to 7.6 million tonnes in 1999.

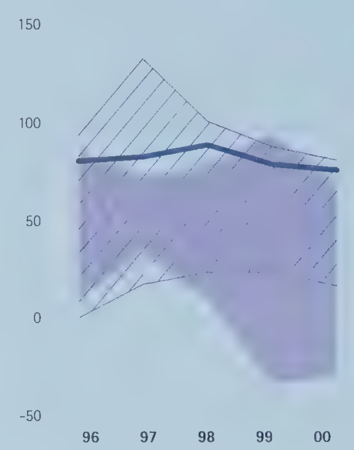
Cost of sales

Dofasco's share of QCM's cost of sales was relatively unchanged in 2000, at $229.8 million compared to $230.0 million in 1999. The impact of lower sales volumes and a less expensive product mix was offset by significantly higher petroleum and pension costs.

Dofasco Inc. Consolidated Results

Depreciation and amortization

Depreciation expense decreased slightly in 2000 to $254.1 million from $256.0 million in 1999. A full year's depreciation of the DSG facility (compared with only seven months in 1999) and depreciation on fixed assets at Powerlasers (acquired on May 8, 2000) was offset by lower depreciation in Hamilton and at QCM resulting from assets that became fully depreciated in 1999.



EBIT per shipped ton

dollars per net ton

Dofasco (Hamilton)
Minimills
Other integrated mills

Interest on long-term debt

Interest expense increased slightly in 2000 to $61.7 million from $60.8 million in 1999. The interest expense incurred on the $175 million of 7.5% Medium Term Notes issued in June and new financing at DSG was partially offset by scheduled debt repayments at Dofasco, QCM, DNN and Sorevco.

Interest and other income

Interest and other investment income in 2000 was $15.9 million. The increase from $10.2 million in 1999 reflects the $5.1 million gain realized on the demutualization of Sun Life Assurance Company of Canada.

Unusual items

There were no unusual items in 2000. In 1999, Dofasco sold its equity investment in the Iron Ore Company of Canada for cash proceeds of $36.9 million (U.S. $25.0 million), resulting in a pre-tax gain of $31.8 million.

Income taxes

Dofasco's 2000 consolidated income tax expense was $78.2 million on pre-tax income of $260.6 million, an effective tax rate of 30.0%. In 1999, income tax expense was $133.3 million on pre-tax income of $388.2 million, for an effective tax rate of 34.3%.

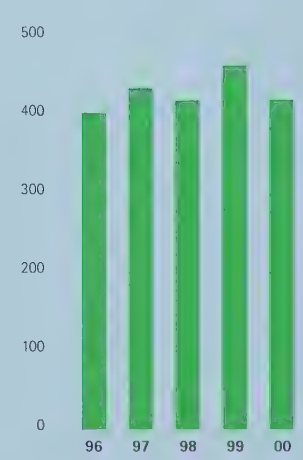
The reduction in the effective tax rate is due primarily to:

- net reduction in the consolidated future income tax liability following Ontario and Canadian tax rate reductions announced during the year; and
- recognition of a portion of the benefit of U.S. tax losses generated by Gallatin Steel in previous years and not previously recorded on Dofasco's books.

Cash Flow

Cash derived from operations

Dofasco continued its strong cash flow performance in 2000. For the fifth consecutive year, cash derived from operations before changes in operating working capital exceeded $400 million, reaching $419.7 million in 2000 compared to $463.2 million in 1999.



Cash derived from operations

(before changes in working capital)
millions of dollars

After changes in the components of operating working capital, cash derived from operations was $249.8 million in 2000, compared to $568.6 million in 1999.

Reduced accounts receivable

Consolidated accounts receivable at year-end 2000 were $355.6 million, down by $26.7 million from $382.3 million at December 31, 1999, reflecting lower sales revenue in the fourth quarter of 2000 compared with the same period in 1999.

Changes in inventories

Consolidated inventories were $853.5 million at the end of 2000, an increase of $80.8 million from $772.7 million at the end of 1999.

Hamilton inventories increased by $58 million. Although the number of tons of semi-finished slabs in inventory was relatively unchanged from 1999, their value was higher because of the higher cost of purchased slabs. Other work-in-process and finished goods inventories increased to more normal levels.

QCM's inventory increased by $12 million from 1999, due to a decline in their sales volumes in the latter part of 2000. QCM adjusted its production schedule in late December 2000 and early January 2001 to limit the increase in iron ore inventories.

Gallatin Steel's inventory was $11 million higher at the end of 2000 than 1999, primarily as a result of producing material for orders in advance of the shipment date. Scrap inventory also increased significantly, reflecting significant fourth quarter deliveries of scrap to take advantage of low prices.

Income and other taxes receivable

Dofasco's 2000 consolidated balance sheet includes $14.6 million in income and other taxes receivable. The decline in profitability during the fourth quarter, most notably in November and December, resulted in over-installments of income taxes for the year 2000, which are expected to be refunded during 2001.

Bank borrowings of joint ventures

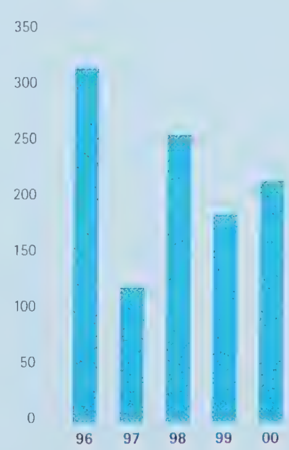
Dofasco's share of bank borrowings at its joint ventures increased to $43.6 million in 2000 from $17.5 million at the end of 1999, primarily due to increased bank borrowings at QCM.

Reduced accounts payable

Consolidated accounts payable declined by $52.3 million in 2000 to $339.8 million from $392.1 million a year earlier. The most significant reductions related to repairs on No. 3 Blast Furnace in Hamilton and lower amounts payable for Profit Sharing and Variable Compensation. Accounts payable at Dofasco's joint ventures, primarily Gallatin, decreased as purchases of materials and supplies were reduced due to lower operating rates during the fourth quarter of the year.

Capital expenditures

Dofasco continued to invest in new and existing facilities in 2000 to ensure its future success. Cash used for capital expenditures in 2000 totaled $216.0 million. Major spending in Hamilton included $59 million for the hot band improvement program, $26 million for automation control upgrades at the company's tinplate facilities, $15 million for the No. 2 Tube Mill and $14 million to upgrade the company's Galvalume™ line. Other capital spending included $14 million at QCM, $10 million at Gallatin and $9 million for the construction of the new tube mill in Mexico.



Capital expenditures

millions of dollars

Acquisition

In May, Dofasco acquired Powerlasers, a manufacturer of laser-welded blanks and related components, for $44.8 million.

Increased long-term debt

Long-term debt increased by $83.5 million in 2000, reflecting the proceeds of the $175 million in Medium Term Notes issued in June, partially offset by scheduled debt repayments at Dofasco, QCM, DNN and Sorevco.

Common shares repurchased

Dofasco continued to repurchase its common shares for cancellation as a means of enhancing shareholder value. During 2000, Dofasco purchased and cancelled 3.7 million common shares for $94.5 million under a normal course issuer bid that expired on September 13, 2000. Under a new normal course issuer bid that became effective on November 21, 2000, Dofasco is entitled to repurchase a further 3.8 million shares on the open market. As at December 31, 2000, Dofasco had not purchased any shares under that program.

During 1999, Dofasco repurchased 6.6 million common shares for $164.5 million under normal course issuer bids.

Dividends

Dofasco paid $80.6 million in dividends in 2000, down from $84.4 million in 1999. Preferred share dividends accounted for $0.6 million of this total in both 2000 and 1999. Common share dividends paid in 2000 were

$80.0 million compared to $83.8 million in 1999. The decline was primarily due to the lower number of common shares outstanding as a result of the common share repurchase programs, partially offset by a higher common share dividend rate.

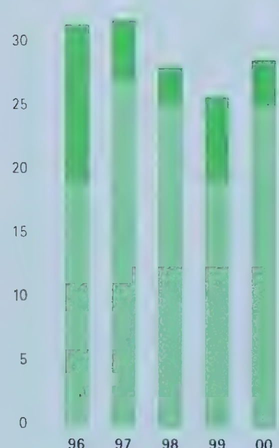
The quarterly common share dividend declared was $0.25 per share in the first quarter of 2000, and $0.27 per share for the last three quarters of 2000. In 1999, the dividend was $0.25 per share for all four quarters.

Cash and cash equivalents

Dofasco's consolidated cash position, including cash equivalents, declined by $70.0 million to $127.1 million at the end of 2000 from $197.1 million at the beginning of the year.

Debt ratio

Dofasco's balance sheet strength continues to provide a significant competitive advantage. At December 31, 2000 the ratio of total debt to total debt plus equity was 28.8%, compared to 25.9% at December 31, 1999.



Debt to debt plus equity ratio

% as at December 31

Net debt

Total debt

After deducting cash reserves, the ratio of Dofasco's net debt to net debt plus equity was 25.2% at the end of 2000, compared to 19.4% a year earlier.

The increase in debt ratios is attributable to the $175 million of Medium Term Notes issued during the year and the lower cash and cash equivalents balance at the end of 2000, offset by scheduled debt repayments at Dofasco, DNN, Sorevco and QCM.

Available credit

Dofasco has in place $200 million in revolving bank credit, available until October 21, 2001. At December 31, 2000, none of this revolving line had been used and the entire amount remained available.

Dofasco has been approved to issue a further $125 million under the Medium Term Notes program anytime up to May 25, 2002.

Managing foreign exchange rate and commodity price risk

Dofasco and some of its joint ventures utilize financial instruments to manage the risk associated with fluctuations in foreign exchange rates and commodity prices. Dofasco believes that its exposure to credit and market risks for these financial instruments is negligible. Dofasco does not hold or issue derivative financial instruments for trading or for speculative purposes.

Details of Dofasco's foreign exchange hedges at December 31, 2000 are set out in note 17 to the Consolidated Financial Statements.

Dofasco continues to enjoy positive relations with its entire workforce, based on a long history of treating people fairly and with respect. While employees at Dofasco's Hamilton operations and most of the company's subsidiary and joint venture operations are not unionized, some employees at Quebec Cartier Mining Company, Sorevco and Wabush Mines are represented by labour unions. QCM's collective agreement with its hourly employees expired on February 28, 2001, and negotiations for a new agreement are proceeding.

Many of the people throughout Dofasco, including all Hamilton employees, participate in various forms of profit sharing, gain sharing and variable compensation plans and thereby share in the company's financial success.

Canadian and U.S. economies

2000 was a transition year for both the U.S. and Canadian economies.

The year started strongly with real growth at a 5% annual rate in both countries. At midyear, expectations were that both economies would realize a more sustainable 3% growth rate in the second half of the year.

However, a sharp increase in energy costs, lower and more volatile equity values and tightened financial market conditions lead to a rapid decline in consumer confidence in the last half of the year. As a result, the U.S. economy only grew at a 1.4% rate in the fourth quarter. Growth in overall consumer spending slowed appreciably in the fourth quarter and in fact declined on durable goods such as cars and appliances. Business spending on residential construction and machinery and equipment also contracted in the quarter.

The Canadian economy fared much better in the second half of 2000, with real growth at a 4.8% annual rate in the third quarter and an estimated 3% in the fourth. Although consumer and business spending continued to grow strongly in the fourth quarter, Canada's exports, tied heavily to the slowing U.S. economy, were moderately lower.

The near-term outlook for economic growth has certainly worsened based on the rapid slowing of the U.S. economy in late 2000. The automotive industry has been forced to make

swift corrections to production levels to bring inventories back in line with lower sales expectations. However, lower short-term interest rates in the U.S. are expected to help support economic expansion without fuelling inflation. Potential tax cuts in the U.S., made possible by their federal budget surplus, also contribute to the view that the U.S. economy will return to higher growth rates in the second half of 2001.

We expect the Canadian economy to outperform the U.S. economy in 2001. Significant tax cuts enacted at the start of the year will support good levels of consumer spending in Canada and should moderate the negative impact of lower exports in the first half of 2001. Business investment is expected to grow at a good pace, though more moderate than last year.

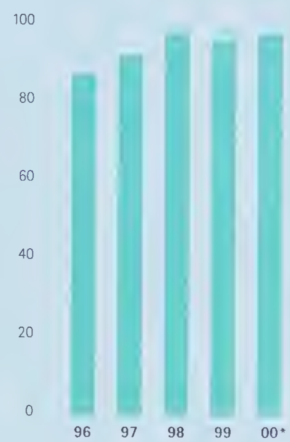
Overall, we expect 2% real growth rate in the U.S. economy and 2.5% to 3% in Canada in 2001.

Flat rolled steel

Flat rolled steel demand in North America increased by approximately 2.3% in 2000. Demand was exceptionally strong through the first half of the year, being 19% and 16% higher in Canada and the United States, respectively, compared to 1999. As the North American economies slowed in the second half of the year, consumption of flat rolled steel declined and steel consuming industries bought less as they worked down surplus inventories. Overall, flat rolled steel demand declined by 10% in the second half of the year compared to the first.

The large increase in imported flat rolled steel products during 2000 fuelled the supply surge that resulted in the large inventory in the marketplace. Even as overall demand weakened later in the year, import levels remained high, resulting in a steep decline in new orders at domestic steel mills, dramatic reductions to domestic steel mill operating levels and an accelerated decline in North American flat rolled steel transaction prices.

In 2001, slower economic growth is expected to result in a 5% to 7% decline in flat rolled steel demand in both the U.S. and Canada. Demand will be weakest in the first half of the year, as surplus inventories continue to be worked out of the system.



North American flat rolled steel demand

millions of net tons
* estimated

Automotive

The North American automotive industry experienced another record year in 2000, with sales of light vehicles of approximately 19.6 million vehicles, 3% ahead of 1999. Domestically made vehicle sales were relatively unchanged from 1999, but sales of imports rose by 15%. Medium and heavy truck sales declined by 11%, impacted by high fuel prices and interest rates.

North American production increased slightly in 2000. While production in Canada and the United States declined to 15.4 million vehicles, production in Mexico increased significantly to 1.9 million.

Vehicle inventories were higher throughout the year, ending the year approximately 9% above the 1999 level. In response to high inventory levels and slowing sales, vehicle makers scheduled shutdowns at a number of assembly plants in December, carrying over into the first quarter of 2001.

The economic slowdown of late 2000 is expected to continue through 2001. Lower consumer confidence and net wealth, higher oil prices and the satiation of pent-up vehicle demand are expected to contribute to a 6% to 9% decline in total vehicle sales in 2001.

In order to return vehicle inventories to a more sustainable level, domestic production is expected to fall in the 9-12% range, with much of the reduction happening in the first and second quarters.

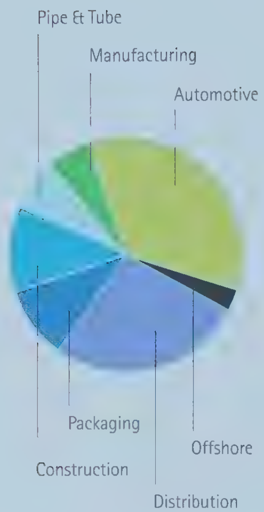
These expected sales levels, while weaker, would still register as the third strongest ever, after 2000 and 1999.

Construction

Due to the healthy level of residential and non-residential construction activity in 2000, flat rolled steel shipped directly from Canadian steel mills to Canadian construction customers increased by 2%. Despite the expected slowing in overall North American construction activity, this sector is fundamentally sound and will continue to provide a good market for steel products in 2001, relatively unchanged from 2000 levels.

Residential

Backed by employment growth, rising disposable income and low mortgage rates, residential construction starts in Canada grew by 1% in 2000 over 1999. Canadian housing starts are expected to grow by 3% in 2001. While most of the activity will be in Central Canada, stronger commodity prices and energy sector growth will begin to strengthen the housing market in Western Canada.



2000 market mix
Hamilton operations

The U.S. residential construction market declined in 2000, with housing starts approximately 5% below strong 1999 levels. Although a further decline of 7% is forecast for 2001, this will still leave total housing starts at a historically strong level.

In Canada and the United States, residential steel framing and roofing offer a huge and as yet largely unrealized potential for flat rolled steel to replace lumber. The North American steel industry is actively promoting the benefits of steel in residential construction.

Non-residential

In 2000, non-residential building starts in Canada declined by only 1% from good 1999 levels. The prediction for 2001 is for a further 2% decline.

Non-residential construction activity in the United States continued to perform at a near capacity level in 2000. With a softening U.S. economy expected in 2001, non-residential building starts are expected to decline 4%.

Manufacturing

Canadian non-automotive manufacturing activity was up about 12% in 2000. Steel-related groups in this diverse sector experienced mixed results after enjoying strong growth during the last few years.

The Canadian appliance market generally reflects market trends in the United States. During 2000, favourable consumer confidence, active Canadian residential construction and growing export opportunities were positive factors influencing appliance sales in Canada. Despite the changing economic climate and reduced consumer confidence that resulted in weaker appliance sales in the last quarter of 2000, Canadian shipments of flat rolled steel products to Canadian appliance manufacturers grew by 5% for the year in total. A further easing of consumer confidence in 2001 will likely result in 3% to 5% lower appliance sales compared to the robust year of 2000.

Canadian steel shipments to the electrical machinery sector started strong in the first half of 2000, declining in the second half to finish the year about 6% higher than 1999. For 2001, a decline of about 4% is anticipated for this sector, reflecting the slowing in manufacturing activity and reduced economic growth.

In other manufacturing sectors, Canadian steel mill shipments declined by 7% in 2000, mainly from reduced activity in the railway and shipbuilding sectors.

Pipe and tube

Tube shipments by Canadian producers remained strong throughout 2000, with overall shipments surpassing 1999 levels by 10%.

Higher fuel prices led to increased drilling activity and heightened demand for energy related tubing, both line pipe and oil country tubular goods. Tube shipments by this segment surpassed 1999 levels by 10%.

Mechanical tubing exhibited the greatest growth in 2000, up 15% over 1999. Production increased due to continued strong demand within the automotive and construction markets, combined with conversion programs to automotive tubing from stamped parts.

Pipe and tube production in Canada is expected to grow by 5% in 2001. Demand from the energy sector is expected to remain strong with high oil and gas prices expected to continue to support energy activity. Mechanical tubing production will increase as more tons are channeled into the automotive industry. Conversions from automotive stampings to newer technology, hydroformed tubular parts have been completed for several new models in 2001, which will offset expected reduced vehicle builds on existing tubing-intensive platforms in 2001.

Consumer packaging

The North American processed food, aerosol and other consumer product packaging markets such as paint and chemicals continued to provide stable demand for tinplate steel in 2000. Shipments of steel cans in the United States were down slightly in 2000, about 1% off 1999 levels.

Tinplate shipments in Canada were down about 8% in 2000 from 1999, due to a reduced food-packaging season caused by unfavourable weather conditions and from process disruptions due to equipment upgrades at Dofasco's tin mill facilities.

Overall, North American tinplate demand is expected to hold steady in 2001.

Dofasco is Canada's only manufacturer of tinplate steel. Equipment upgrades are now complete and are beginning to demonstrate

improved capabilities, including increased equipment reliability, reduced cycle-time and improved on-time delivery performance.

Industrial packaging

Steel mill shipments to North American industrial packaging markets increased approximately 4% in 2000, reflecting the increased need for steel drums and pails to support growth in manufacturing. However, Canadian steel mill shipments to the sector were down about 4% from 1999.

Declining automotive activity and a general easing of overall manufacturing will result in reduced demand for industrial packaging products in 2001. Flat rolled steel demand in the North American industrial packaging sector is expected to decline by as much as 10%.

Service centres

Strong service centre activity in 2000 reflected the overall strength in steel consumption in the North American economy. Overall, Canadian service centres shipped 6% more steel in 2000 than in 1999. The early part of 2000 was the strongest part of the year with shipments easing back in late 2000.

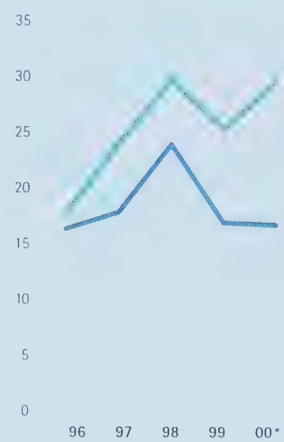
Canadian steel producers did not benefit from the gain in service centre activity, as Canadian steel producers' shipments to this segment remained unchanged from 1999 levels. The shipment growth within the Canadian service centre industry was supported by purchases of imported flat rolled products.

In 2001, shipments from Canadian service centres are expected to drop below the 2000 level. Canadian service centres are negatively impacted by reductions in the consumer goods market and by forecasted reductions in the automotive industry.

Dofasco's performance may be affected by a number of factors that relate to the level of activity and stability both in the economy in general and in the steel industry in particular.

Steel trade

The supply of steel in North America and its impact on price is affected both by global industry capacity and the level of overseas imports. When there is a high level of imports into the North American market, as in 2000, steel prices generally decline.



Flat rolled steel imports

% of demand

Canada

United States

* estimated

Imports of flat rolled steel into Canada hit a record high in 2000. In many cases, these imports were traded in violation of international trade rules which prohibit selling a product in a foreign market at a price below either the cost of production or the selling price in the producer's home market.

Dofasco, as part of the Canadian steel industry, and Gallatin Steel, as part of the U.S. steel industry, are working with federal governments in both countries to try to find a long-term solution to the high levels of unfairly traded steel, caused primarily by global steelmaking overcapacity. Until there is an international resolution to this situation, Dofasco will continue to aggressively use international trade laws to address the problem.

During 2000 and early 2001, Dofasco, Gallatin and other North American steel producers filed unfair trade complaints covering a number of flat rolled products entering Canadian and U.S. markets from around the world.

In Canada, a complaint has been filed against unfairly traded imports of corrosion-resistant (galvanized) steel from China, India, Malaysia, Russia, South Africa and Taiwan. Preliminary dumping margins to apply on galvanized steel imported from these countries were announced by the Canada Customs and Revenue Agency (CCRA) in early March.

A hot rolled case is also in process in Canada, addressing imports from Brazil, Bulgaria, China, India, Macedonia, New Zealand, Saudi Arabia, South Africa, South Korea, Taiwan, Thailand, Ukraine and Yugoslavia. A cold rolled case has been filed against imports from Brazil, China, Italy, Luxembourg, Macedonia, Malaysia, South Africa, South Korea and Taiwan. The industry awaits an announcement by the CCRA of preliminary dumping margins to apply against unfairly traded hot rolled and cold rolled products.

U.S. steelmakers have filed a hot rolled case against Argentina, China, India, Indonesia, Kazakhstan, Netherlands, Romania, South Africa, Taiwan, Thailand and Ukraine. The International Trade Commission has given a preliminary ruling of injury, and the Department of Commerce is expected to publish preliminary dumping margins on April 23, 2001.

Economic cycles

The North American steel industry has historically been characterized by cycles in supply and demand that relate to the general economic environment and to the level of manufacturing activity in several key industries such as automotive, construction, packaging, consumer goods and oil and gas. In the valleys of these cycles, the financial performance of North American steel companies has typically suffered.

With an increasing proportion of value-added steel products, close customer relationships and a focus on earning the cost of capital over a full business cycle, Dofasco's overall corporate strategy and financial measurement system aims to mitigate the impact of these cycles.

Reliance on specific industrial sectors

Like many other steel companies, Dofasco derives a significant proportion if its revenues from the automotive industry. While North American automotive activity declined significantly in the last half of 2000 and is expected to be below the strong level of 2000 through 2001, it remains at a historically strong level.

Dofasco's customer relationship strategy is designed to ensure that the company remains a supplier of choice to the North American automotive industry. The strategic investments announced in 2000 – Powerlasers, a tube mill and steel processing facility in Mexico and an ownership interest in a steel processing facility in Brazil – are aimed at enhancing Dofasco's position as a supplier to the worldwide automotive industry.

Raw materials

Dofasco's Hamilton operations consume large quantities of iron ore and steel scrap in the production of steel. Gallatin Steel relies on steel scrap. These materials are subject to price fluctuations depending on their availability and on general economic conditions. Dofasco and Gallatin utilize a combination of long and short-term supply agreements for their raw material requirements, depending on which approach is more economically advantageous.

Energy

With an annual electricity cost of approximately $100 million, Dofasco's Hamilton operation is one of the largest single point consumers of electricity in Ontario. The Ontario government has initiated a process to establish a competitive electricity market that, if implemented, could lead to an extremely volatile electricity market and higher electricity costs. Dofasco is continuing to develop its electricity sourcing strategy. A lack of reasonably priced electric power could result in production disruptions, as was the situation at Gallatin Steel during the last half of 2000. Gallatin continues to be susceptible to the impact of high electricity prices.

All Dofasco operations are susceptible to the fluctuations that can occur in the market prices of other energy sources, such as coal, oil and natural gas. In 2000, the price of many of these increased significantly. Dofasco utilizes a combination of short- and long-term supply agreements to mitigate the impact of these price increases, while positioning itself to take advantage of declining prices where possible. Dofasco also maximizes its use of recycled by-product fuel gases (such as coke oven gas and blast furnace gas) to reduce the amount of outside fuel gases that need to be purchased.

Industry competition

As a result of the rapid market adjustment that began at the end of 2000 and has continued through the early months of 2001, many North America steel companies are operating at a loss. Several U.S. companies have filed for bankruptcy protection under Chapter 11. Many companies with large debts, pension liabilities and high costs have serious constraints on their ability to generate, borrow or raise cash and are now operating on the basis of a need for cash rather than a need to generate a profit or a reasonable return on capital employed. While this strategy is not sustainable over the long term, it has had and will continue to have a significant impact on the competitive environment within which Dofasco and Gallatin Steel operate over the short term and therefore on Dofasco's consolidated financial results.

Environment

Dofasco is in full compliance with all laws and regulations relating to the environment, including those that govern emissions and discharges from the company's operating facilities. While these laws and regulations are subject to change, Dofasco has in place a voluntary Environmental Management Agreement that generally exceeds the requirements of current legislation and the company maintains close contact with environmental authorities.

Dofasco's Management's Discussion and Analysis includes statements and expectations about future performance that are based on assumptions, uncertainties and management's best estimates of future events. As a result, readers are cautioned that actual results may differ from expected results.

For the years ended December 31 (in millions except per share amounts)

		1999
Income		
Sales	$ 3,201.1	$ 3,142.3
Cost of sales (before the following item)	2,601.8	2,426.0
Employees' profit sharing (note 15)	38.8	53.3
	2,640.6	2,479.3
Gross income	560.5	663.0
Depreciation and amortization	254.1	256.0
Operating income	306.4	407.0
Interest on long-term debt	61.7	60.8
Interest and other income	(15.9)	(10.2)
	260.6	356.4
Unusual item:		
Gain on sale of investment (note 6)	–	31.8
Income before income taxes	260.6	388.2
Income tax expense (note 13)	78.2	133.3
	182.4	254.9
Minority interest	(6.3)	(5.9)
Net income	$ 188.7	$ 260.8
Earnings per Common Share		
Basic	$ 2.47	$ 3.16
Fully diluted	$ 2.42	$ 3.11
Dividends Declared per Common Share	$ 1.06	$ 1.00
Retained Earnings		
Balance at beginning of year	$ 968.7	$ 885.4
Net income	188.7	260.8
	1,157.4	1,146.2
Dividends declared:		
Preferred shares	.6	.6
Common shares	80.6	82.2
Premium paid on repurchase of common shares	55.4	94.7
	136.6	177.5
Balance at end of year	$ 1,020.8	$ 968.7

See accompanying notes to consolidated financial statements.

December 31 (in millions)		1999
Current Assets		
Cash and cash equivalents	**$ 127.1**	$ 197.1
Accounts receivable	**355.6**	382.3
Inventories (note 4)	**853.5**	772.7
Income and other taxes receivable	**14.6**	–
Future income tax assets (note 13)	**4.2**	10.1
	1,355.0	1,362.2
Fixed and Other Assets		
Fixed assets (note 5)	**2,003.6**	1,986.8
Future income tax assets (note 13)	**43.0**	41.4
Other assets (note 6)	**122.0**	92.4
	2,168.6	2,120.6
Total assets	**$ 3,523.6**	$ 3,482.8
Current Liabilities		
Bank borrowings of joint ventures	**$ 43.6**	$ 17.5
Accounts payable and accrued charges	**339.8**	392.1
Income and other taxes payable	**–**	56.7
Dividends payable	**20.4**	19.8
Current requirements on long-term debt (note 8)	**108.3**	99.6
	512.1	585.7
Long-term Liabilities		
Long-term debt (note 8)	**597.9**	516.5
Employee non-pension benefits	**326.1**	311.3
Provision for relining blast furnaces and other	**44.3**	26.3
	968.3	854.1
Future Income Tax Liabilities (note 13)	**170.3**	208.9
Minority Interest	**20.4**	21.6
Shareholders' Equity		
Preferred shares (note 9)	**12.1**	12.4
Common shares (note 10)	**792.7**	831.4
Retained earnings	**1,020.8**	968.7
Currency translation adjustment (note 18)	**26.9**	–
	1,852.5	1,812.5
Total liabilities and shareholders' equity	**$ 3,523.6**	$ 3,482.8

See accompanying notes to consolidated financial statements.

On behalf of the Board:

J. T. Mayberry,
Director

C. H. Hantho,
Director

For the years ended December 31 (in millions)		1999
Cash Provided from (Used for) Operating Activities (note 14)	$ 249.8	$ 568.6
Investment Activities:		
New facilities	(216.0)	(186.0)
Acquisition (note 3)	(44.8)	–
Other investments	(.3)	30.3
	(261.1)	(155.7)
Financing Activities:		
Increase in bank borrowings	26.0	7.3
Issue of long-term debt	175.0	–
Repayment of long-term debt	(91.5)	(74.3)
Equity contribution by minority interest	5.2	4.8
Redemption of preferred shares	(.3)	(.3)
Common shares issued	.4	2.3
Common shares repurchased	(94.5)	(164.5)
Dividends paid	(80.6)	(84.4)
	(60.3)	(309.1)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1.6	–
Cash and Cash Equivalents		
Increase (decrease) for year	(70.0)	103.8
Balance at beginning of year	197.1	93.3
Balance at end of year	$ 127.1	$ 197.1

See accompanying notes to consolidated financial statements.

1. Accounting policies

The consolidated financial statements for 2000 and 1999 have been prepared by the Corporation in accordance with accounting principles generally accepted in Canada and are within the framework of the accounting policies summarized below:

Basis of consolidation – The consolidated financial statements include the accounts of the Corporation, its subsidiaries and the proportionate share of the assets, liabilities and results of operations of its joint venture activities. The remaining long-term investments are carried at cost.

Cash and cash equivalents – Cash and cash equivalents includes cash on deposit and term deposits with remaining maturities of less than three months at acquisition.

Inventories – Inventories are valued at the lower of average cost and net realizable value.

Fixed assets – Fixed assets are recorded at their historical cost.

Depreciation is computed generally by the straight-line method applied to the cost of assets in service at annual rates based on their estimated useful lives, as follows:

Buildings	2.5 to 5%
Equipment and machinery	5 to 25%

Pre-production, development and stripping expenditures – Pre-production and development expenditures to bring mining sectors into production are deferred and amortized on a straight-line basis over a period relating to the individual economic residual life of the mining sector.

Stripping expenditures that are incurred to extend mine life are deferred and amortized over the extended mine life. If it is determined that an investment in deferred stripping is not recoverable over the productive life of the property, the unrecoverable portion is charged to earnings in the year such determination is made.

Revenue recognition – Revenue from the sale of manufactured products is recognized when title passes, which generally occurs upon shipment to customers.

Repair and maintenance costs – Repair and maintenance costs are expensed as incurred except for the estimated cost of relining blast furnaces which is accrued between relines.

Income taxes – The Corporation follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Translation of foreign currencies – Foreign currency monetary assets and liabilities of domestic operations are translated at year end exchange rates while foreign currency revenues and expenses are translated at average exchange rates prevailing during the year.

Dofasco de Mexico and Dofasco USA are classified as integrated foreign operations. Consequently, their monetary assets and liabilities have been converted to Canadian dollars using the exchange rate in effect at the balance sheet date. All other assets and liabilities are converted at historical rates. Revenues and expenses are translated at the average exchange rates for the year except depreciation, which is translated at the historical rate applicable to the related asset.

Dofasco's other foreign operations are classified as self-sustaining. Consequently, their assets and liabilities are translated to Canadian dollars using the period-end exchange rates. Revenues and expenses are translated at the average rates during the period. Exchange gains or losses on translation of the Corporation's net investment in the operations are deferred as a separate component of shareholders' equity.

The appropriate amounts of exchange gains or losses accumulated in the separate component of shareholders' equity are reflected in income when there is a reduction in the Corporation's net investment in the operations that gave rise to such exchange gains and losses.

At the beginning of the current year, management reviewed the classification of Gallatin and determined that as a result of sustained profitability, Gallatin is able to finance its day-to-day activities from its own operations. Accordingly, effective January 1, 2000, for foreign exchange translation purposes, Gallatin is considered self-sustaining (for 1999 and prior years, Gallatin was considered integrated).

Gains and losses on foreign currency liabilities which have been identified as a hedge against exposure on future foreign currency revenues, are deferred and matched to the future revenue stream, provided there is reasonable assurance that the hedge is and will continue to be effective.

Employee benefit plans – The cost of pension and post-employment benefits (including medical benefits, dental care, life insurance and certain compensated absences) related to employees' current service is charged to income annually. The cost is computed on an actuarial basis using the projected benefit method prorated on service and management's best estimates of investment yields, salary escalation and other factors. Pension plan assets are valued at fair value for purposes of calculating the expected return on plan assets. Past service costs resulting from plan amendments are amortized over the remaining average service life of active employees. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets is amortized over the average remaining service period of active employees.

Stock based compensation plans – The Corporation maintains stock based compensation plans pursuant to which common share stock options, with attached stock appreciation rights, are granted to executive officers and other employees. Compensation expense is recognized in the accounts only in respect of amounts paid on the settlement of stock appreciation rights. Any consideration paid by employees on the exercise of stock options is credited to share capital.

Earnings per common share – Earnings per common share is calculated on the basis of net income for the year, less preferred dividends, divided by the monthly weighted average number of common shares outstanding during the year.

Fully diluted earnings per share are calculated on the weighted average number of shares that would have been outstanding during the year had all the dilutive common share stock options been exercised or converted into common shares at the beginning of the year, or date of issuance, if later. The earnings applicable to the common shares are increased by the amount of interest, net of applicable taxes, that would have been earned on funds received due to the exercise of the options.

2. Accounting changes

Effective January 1, 2000 the Corporation changed the method of accounting for employee future benefits. Previously, the discount rate used was based on management's best estimate of long-term yields and experience gains and losses (actuarial gains and losses) were amortized over the employee average remaining service life. This change has been applied on a prospective basis.

The transitional asset of $231.7 million will be amortized on a straight line basis over the average remaining service period of active employees expected to receive benefits under the benefit plan. The change did not have a material impact on the results for the current year.

3. Acquisitions

Effective May 8, 2000 the Corporation acquired all of the issued and outstanding common shares of Cosma Powerlasers Limited and Cosma Powerlasers Corporation, manufacturers of laser-welded blanks and related components, for cash consideration of $44.8 million. The acquisition has been accounted for using the purchase method.

The purchase price was allocated in the accounts based on the estimated fair value of the assets acquired less liabilities assumed as follows:

	Millions
Non-cash working capital	$ 5.2
Fixed assets	30.0
Goodwill	7.6
Future income tax asset (net)	3.9
Long-term debt	(1.9)
Total consideration and net assets acquired	$ 44.8

4. Inventories

(in millions)		1999
Raw materials and other inventories	**$ 329.6**	$ 324.1
Semi-finished and finished steel products	**523.9**	448.6
	$ 853.5	$ 772.7

5. Fixed assets

(in millions)			1999	
	Cost	**Accumulated Depreciation**	Cost	Accumulated Depreciation
Land	**$ 43.7**	**$ –**	$ 40.9	$ –
Buildings	**738.1**	**388.0**	723.1	363.7
Equipment and machinery	**4,286.5**	**2,793.1**	4,111.2	2,596.6
Construction in progress	**116.4**	**–**	71.9	–
	$ 5,184.7	**$ 3,181.1**	$ 4,947.1	$ 2,960.3
Net book value	**$ 2,003.6**		$ 1,986.8	

The estimated amount required to complete authorized capital projects is $210 million at December 31, 2000. The majority of these expenditures will be incurred over the next two years.

6. Other assets

(in millions)		1999
Pre-production, development and stripping expenditures	**$ 46.9**	$ 31.5
Deferred pension cost	**41.7**	35.4
Investments	**12.4**	12.4
Other	**21.0**	13.1
	$ 122.0	$ 92.4

In December 1999, the Corporation sold its common share investment in Iron Ore Company of Canada for cash proceeds of $36.9 million. A pre-tax gain of $31.8 million was recorded based on the carrying value of the investment at the time of the sale.

7. Joint ventures

The Corporation has a 50% interest (except Wabush Mines – 24%) in the following joint ventures:

Baycoat – a steel coil coating operation

DNN Galvanizing Limited Partnership – a galvanizing operation

Gallatin Steel Company – a minimill thin slab casting facility

Quebec Cartier Mining Company – an iron ore mining operation

Sorevco and Company, Limited – a galvanizing operation

Wabush Mines – an iron ore mining operation

The Corporation's proportionate share of the major components of its joint ventures are summarized below (before eliminations):

(in millions)		1999
Balance Sheets		
Working capital	**$ 24.1**	$ 33.9
Fixed and other assets	**605.9**	605.0
Future income tax assets	**42.9**	40.7
	672.9	679.6
Long-term liabilities	**133.2**	161.0
Future income tax liabilities	**47.5**	54.9
	180.7	215.9
Net investment	**$ 492.2**	$ 463.7
Statements of Income		
Revenues	**$ 686.0**	$ 681.5
Expenses	**657.6**	667.9
Net income	**$ 28.4**	$ 13.6
Statements of Cash Flows		
Cash derived from (used for):		
Operations	**$ 59.6**	$ 54.1
Investment activities	**(31.1)**	(7.5)
Financing activities	**2.5**	(25.1)

8. Long-term debt

(in millions)		1999
Dofasco		
Medium term notes – 7.5% maturing 2005	**$ 175.0**	$ –
Notes – 9.95% maturing 2003	**111.6**	143.5
– 9.81% maturing 2007	**245.0**	280.0
	531.6	423.5
DoSol Galva		
Notes – variable rates maturing 2004	**25.0**	25.0
Joint ventures (proportionate share)		
QCM – variable rates, currently averaging 7.2%, maturing 2002, denominated in U.S. funds	**70.8**	78.9
DNN – 6.4% maturing 2008	**64.6**	72.6
Other	**14.2**	16.1
	149.6	167.6
Total long-term debt at December 31	**706.2**	616.1
Less current requirements	**108.3**	99.6
	$ 597.9	$ 516.5

Requirements for repayment of long-term debt within the next five years are as follows:

(in millions)	
2001	$ 108.3
2002	$ 126.1
2003	$ 100.0
2004	$ 53.0
2005	$ 218.5

(i) Dofasco –

Under its Medium Term Note program established through the filing of a Short Form Shelf Prospectus on May 25, 2000, Dofasco has issued $175 million of 7.5% unsecured, non-callable notes maturing June 1, 2005.

Pursuant to the terms of the trust indenture, the Corporation is eligible to issue a maximum of $300 million of Medium Term Notes during the period from May 25, 2000 to May 25, 2002. The terms and interest rates of any additional notes will be determined at the time of issue.

The Corporation has revolving bank credit available until October 21, 2001 in the amount of $200 million. At December 31, 2000 the entire amount of the revolving credit is available.

(ii) DoSol Galva –

The long-term debt of DoSol Galva is guaranteed by its minority shareholder and is non-recourse to Dofasco.

(iii) Joint ventures –

Certain assets of some of our joint ventures have been pledged as collateral for their respective loans, all of which are non-recourse to Dofasco.

Quebec Cartier Mining (QCM) is currently in the process of renegotiating its long-term debt agreement. A renegotiated agreement is necessary for QCM to avoid non-compliance in 2001 of certain financial covenants included in its current agreement. As at the auditors' report date, the renegotiations had not been completed.

In the event that the agreement is not satisfactorily renegotiated, the debt would be classified as current and related deferred costs would be written off.

9. Preferred shares

Authorized – preferred shares issuable in series:

Class A preferred shares – 500,000
Class B preferred shares – unlimited
Class C preferred shares – unlimited

Issued less redeemed at December 31:

	Shares (in thousands)		(in millions)	
		1999		1999
Class A preferred shares 4 3/4% cumulative redeemable preferred shares, series A	**121**	124	**$ 12.1**	$ 12.4

Class A preferred shares –

Under the share provisions, the Corporation is to establish in each year an account equal to 2% of the amount paid up on all series A preferred shares outstanding in that year for the purchase of such shares to the extent available in that year at prices up to the issue price of $100 plus costs of purchase. During 2000, 2,500 shares were purchased for cancellation for $.3 million (1999 – 2,600 for $.3 million). The preferred shares are redeemable at the option of the Corporation at a price of $101 per share plus accrued and unpaid dividends. The annual purchase requirement and redemption rights are suspended when dividends are in arrears.

10. Common shares

Authorized – unlimited

Changes in the outstanding common shares during each of the past two years are summarized below:

	Shares (in thousands)	(in millions)
Outstanding at December 31, 1998	85,087	$ 898.9
Shares issued for cash under the employee stock option plans	118	2.3
Shares repurchased	(6,608)	(69.8)
Outstanding at December 31, 1999	**78,597**	**831.4**
Shares issued for cash under the employee stock option plans	**23**	**.4**
Shares repurchased	**(3,700)**	**(39.1)**
Outstanding at December 31, 2000	**74,920**	**$ 792.7**

In November, 2000 the Corporation filed a normal course issuer bid which entitles the Corporation to acquire up to 3,800,000 of its common shares between November 21, 2000 and November 20, 2001. The purchases are made on the open market at the market price at the time of any particular transaction. During 2000, Dofasco did not repurchase common shares under this program.

Under other normal course issuer bids, the Corporation acquired 11,200,000 common shares between September 14, 1998 and September 13, 2000.

11. Stock based compensation plans

The Corporation is authorized to grant common share stock options, with attached stock appreciation rights, to certain executive officers and employees. The exercise price of the options may not be less than the market value of the common shares on the date of the grant. Options vest equally on the first, second and third anniversary date of the grant and have a term not to exceed ten years. Either options or stock appreciation rights, but not both, may be exercised at the employees' option.

A summary of the status of the Corporation's stock based compensation plans as of December 31, 1999 and 2000 and changes during the year are as follows:

	Shares	Weighted Average Exercise Price
Balance outstanding at December 31, 1998	1,543,809	$ 22.14
Authorized	466,500	23.05
Exercised	(164,900)	19.38
Forfeited/expired	(3,600)	24.75
Balance outstanding at December 31, 1999	**1,841,809**	**$ 22.61**
Authorized	**506,100**	**24.95**
Exercised	**(52,300)**	**19.31**
Forfeited/expired	**–**	**–**
Balance outstanding at December 31, 2000	**2,295,609**	**$ 23.20**

The following table summarizes information on stock options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding at December 31, 2000	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Exercisable at December 31, 2000	Weighted Average Exercise Price
$14.75 - $21.45	603,109	4.31	$ 20.48	603,109	$ 20.48
$23.85 - $25.95	1,692,500	8.05	24.17	748,100	24.02
	2,295,609	7.07	$ 23.20	1,351,209	$ 22.44

Amounts charged to income as compensation expense in each of 1999 and 2000 were not material.

12. Shareholder rights plan

On May 1, 1998, the shareholders of the Corporation approved a new shareholder rights plan (the "New Plan") which replaced a similar plan originally adopted by the Board of Directors on November 24, 1989. One right (a "Right") was issued under the New Plan for each outstanding common share and one Right will be issued in respect of each common share issued prior to the expiry of the New Plan. No consideration is payable by a shareholder upon issuance of the Rights. The New Plan will terminate at the close of the annual general meeting of shareholders in 2001, if not terminated earlier.

The New Plan is intended to ensure that, in the event of a bid for control of the Corporation, shareholders will receive full and fair value for their shares and will not be subject to abusive or coercive take-over strategies and that the Board of Directors will have sufficient time to evaluate the bid, negotiate with the bidder, seek out alternative bidders and explore other ways of maximizing shareholder value.

Rights are not exercisable until certain events occur. If anyone (an "Acquiring Person") wishes to acquire 20% or more of the Corporation's voting shares, it may (i) negotiate terms which the Board of Directors of the Corporation approve as being fair to all shareholders or, alternatively (ii) without Board approval, make a "permitted bid" which must contain provisions specified in the New Plan and be accepted by independent shareholders holding more than 50% of the then outstanding voting shares. If the Acquiring Person acquires 20% or more of the Corporation's voting shares other than as described above (subject to certain exceptions), the Rights will become exercisable automatically allowing holders (other than the Acquiring Person) to purchase common shares at a 50% discount. The Board of Directors may, in certain circumstances, redeem the then outstanding Rights at a redemption price of $0.001 per Right.

13. Income taxes

The income tax expense is comprised of:

(in millions)	[illegible]	1999
Current	**$ 107.4**	$ 158.5
Future	**(29.2)**	(25.2)
	$ 78.2	$ 133.3

The income tax expense differs from the amount calculated by applying Canadian income tax rates (Federal and Provincial) to income before income taxes, as follows:

(in millions)	[illegible]	1999
Income before income taxes	**$ 260.6**	$ 388.2
Income tax expense computed using statutory income tax rates	**$ 114.4**	$ 171.7
Add (deduct):		
Manufacturing and processing credit	**(21.5)**	(31.4)
Resource allowance	**(2.2)**	(4.5)
Effect of different rates in foreign jurisdictions	**(1.7)**	.3
Benefit of previously unrecognized losses of U.S. subsidiaries	**(6.8)**	–
Mining duties	**1.2**	.9
Minimum taxes	**2.8**	1.9
Non-taxable portion of gain on sale of investment	**–**	(5.6)
Net future income tax benefit resulting from reduction in tax rates	**(3.5)**	–
Other	**(4.5)**	–
	(36.2)	(38.4)
Income tax expense	**$ 78.2**	$ 133.3

Components of future income taxes by jurisdiction are summarized as follows:

(in millions)	[illegible]	1999
Canada		
Current Assets –		
Accounting provisions not currently deductible for tax purposes	**$ 12.9**	$ 19.5
Inventory of production rolls	**(8.7)**	(9.4)
Future income tax assets	**$ 4.2**	$ 10.1
Liabilities –		
Tax depreciation in excess of book depreciation	**$ 290.3**	$ 316.5
Accounting provisions not currently deductible for tax purposes	**(116.5)**	(110.6)
Other	**(3.5)**	3.0
Future income tax liabilities	**$ 170.3**	$ 208.9
Foreign		
Assets –		
U.S. net operating loss carryforward	**$ 100.1**	$ 89.4
Tax depreciation in excess of book depreciation	**(53.7)**	(44.2)
Other	**(3.4)**	(3.8)
Future income tax assets	**$ 43.0**	$ 41.4

At December 31, 2000, U.S. subsidiaries have accumulated losses for tax purposes of approximately U.S. $40.2 million (1999 - U.S. $45.5 million) for which no future tax benefit has been recognized in the accounts. These losses can be applied against future taxable income in varying amounts up to 2019.

14. Cash derived from operations

(in millions)	[illegible]	1999
Net income for year	**$ 188.7**	$ 260.8
Items not involving cash –		
Gain on sale of investment	**–**	(31.8)
Depreciation and amortization	**254.1**	256.0
Future income taxes	**(29.2)**	(25.2)
Employee future benefits	**8.4**	(2.5)
Other	**(2.3)**	5.9
Changes in operating working capital	**(169.9)**	105.4
	$ 249.8	$ 568.6
Supplemental disclosure of cash flow information –		
Cash paid for interest	**$ 65.9**	$ 64.0
Cash paid for income taxes	**$ 182.9**	$ 118.7

15. Employees' profit sharing on Hamilton steelmaking operations

The Corporation allocates 14% of its Hamilton steelmaking profits before income taxes or a minimum payment of three times the contributions made by members, to the Dofasco Employees' Savings and

Profit Sharing Funds and the Dofasco Employees' Deferred Profit Sharing Plan, to be shared among Hamilton steelmaking employees. A portion of the annual profit sharing allocation is funded through the creation of a defined contribution pension component within the Dofasco Supplementary Retirement Income Plan.

16. Employee benefits

The Corporation has a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to substantially all of the employees. Such plans include the Dofasco Employees' Savings and Profit Sharing Funds (note 15).

The total expense for the Corporation's defined contribution plan was $23.2 million. Total assets and obligations for these plans at December 31 amount to $821.9 million.

The information about the Corporation's defined benefit plans, in aggregate, is as follows:

	Pensions	Other Benefit Plans
Change in benefit obligation		
Benefit obligation – beginning of year	$ 720.6	$ 329.2
Current service cost (employer)	17.1	6.7
Interest cost	49.0	22.4
Plan amendments	7.3	.9
Benefits paid	(43.7)	(12.1)
Actuarial loss	35.5	37.3
Benefit obligation – end of year	$ 785.8	$ 384.4
Change in plan assets		
Market value of plan assets – beginning of year	$ 982.3	$ .8
Actual return on plan assets	86.5	–
Employer contributions	4.0	12.0
Benefits paid	(43.7)	(12.0)
Transfer to defined contribution plan	(20.2)	–
Actual plan expenses	(.3)	–
Market value of plan assets – end of year	$ 1,008.6	$ .8
Reconciliation of funded status		
Funded status – surplus (deficit)	$ 222.8	$ (383.6)
Employer contributions after measurement date	.7	2.9
Unamortized transitional asset	(218.0)	–
Unamortized past service costs	10.5	.9
Unamortized net actuarial loss	25.7	38.2
Accrued benefit asset (liability)	$ 41.7	$ (341.6)

Of the other benefit plans, $15.5 million of the accrued benefit liability is included in current liabilities.

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

	Pensions	Other Benefit Plans
Discount rate	6.75%	6.75%
Expected long-term rate of return on plan assets	8.00%	–
Rate of compensation increase	3.50%	–

For measurement purposes, a 4 to 7.6 percent annual rate of increase in the per capita cost of covered health care and dental benefits was assumed for 2000. The rate was assumed to decrease gradually to 4 percent for 2005 and remain at that level thereafter.

The Corporation's net benefit plan expense is as follows:

	Pensions	Other Benefit Plans
Components of defined benefit plan expense		
Current service cost	$ 17.1	$ 6.7
Interest cost	49.0	22.4
Expected return on plan assets	(78.9)	(.1)
Amortization of transitional asset	(13.7)	–
Amortization of net actuarial loss	–	.5
Net expense (income)	$ (26.5)	$ 29.5

17. Financial instruments

The Corporation utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange rates and commodity prices. These contracts limit the exposure to unfavourable changes in interest and Canadian/U.S. exchange rates and the price of certain commodities.

The Corporation has entered into foreign exchange contracts with an aggregate amount of U.S. $82.1 million as at December 31, 2000 (1999 – U.S. $73.7 million). These contracts mature at the latest on December 31, 2001 at exchange rates varying between Cdn. $1.4270 and Cdn. $1.5467.

Commodity price swap contracts are used to hedge the cost of certain raw materials. As at December 31, 2000, the aggregate notional amount of all contracts outstanding was U.S. $8.6 million (1999 – U.S. $7.2 million) expiring at various dates through to June 30, 2002.

There was no significant unrealized gain or loss on these financial instruments as at December 31, 2000. The Corporation believes that its exposure to credit and market risks for these instruments is negligible. It does not hold or issue derivative financial instruments for trading or speculative purposes.

18. Currency translation adjustment

Unrealized currency translation adjustments arise on the translation to Canadian dollars of assets and liabilities of the company's self-sustaining foreign operations. The change in classification of Gallatin to self-sustaining as described in note 1 resulted in an unrealized currency translation gain on January 1, 2000 of $13.7 million. The unrealized translation gain increased to $26.9 million at December 31 primarily as a result of the weakening of the Canadian dollar against the U.S. dollar during the year.

19. Segmented information

The Corporation has three reportable segments as follows:

Steel operations – includes Hamilton operations, Dofasco USA, Powerlasers, DoSol Galva, Dofasco de Mexico and Dofasco's share of Baycoat, DNN, Sorevco and Wabush which are primarily engaged in flat rolled steel production and sales

Gallatin – joint venture minimill in the U.S. which produces and sells hot rolled steel

Quebec Cartier Mining (QCM) – iron ore production and sales

(in millions)

	Steel Operations	Gallatin	QCM	Intercompany Elimination	Consol. Total
Sales to external customers	**$ 2,805.0**	**$ 237.6**	**$ 158.5**	**$ –**	**$ 3,201.1**
Inter-segment sales	**–**	**28.5**	**111.1**	**(139.6)**	**–**
Total sales	**2,805.0**	**266.1**	**269.6**	**(139.6)**	**3,201.1**
Gross income (loss)	**487.2**	**36.1**	**39.8**	**(2.6)**	**560.5**
Depreciation and amortization	**202.5**	**21.6**	**30.0**	**–**	**254.1**
Interest on long-term debt	**56.1**	**.4**	**5.2**	**–**	**61.7**
Interest and other income	**(15.0)**	**–**	**(.9)**	**–**	**(15.9)**
Income (loss) before income taxes	**243.6**	**14.1**	**5.5**	**(2.6)**	**260.6**
Segment assets	**2,831.2**	**337.2**	**362.6**	**(7.4)**	**3,523.6**
Expenditures for fixed assets	**192.8**	**9.6**	**13.6**	**–**	**216.0**

(in millions) 1999

	Steel Operations	Gallatin	QCM	Intercompany Elimination	Consol. Total
Sales to external customers	$ 2,760.0	$ 197.7	$ 184.6	$ –	$ 3,142.3
Inter-segment sales	–	50.5	94.1	(144.6)	–
Total sales	2,760.0	248.2	278.7	(144.6)	3,142.3
Gross income	594.3	15.4	48.7	4.6	663.0
Depreciation and amortization	202.5	19.6	33.9	–	256.0
Interest on long-term debt	54.6	.5	5.7	–	60.8
Interest and other income	(9.4)	–	(.8)	–	(10.2)
Gain on sale of investment	31.8	–	–	–	31.8
Income (loss) before income taxes	378.4	(4.7)	9.9	4.6	388.2
Segment assets	2,820.2	326.0	347.3	(10.7)	3,482.8
Expenditures for fixed assets	169.3	2.4	14.3	–	186.0

Geographic information –

(in millions)

			1999	
	Sales	**Fixed Assets**	Sales	Fixed Assets
Canada	**$ 2,439.8**	**$ 1,736.9**	$ 2,443.4	$ 1,759.4
United States	**561.7**	**258.0**	523.8	227.4
Other countries	**199.6**	**8.7**	175.1	–
Total	**$ 3,201.1**	**$ 2,003.6**	$ 3,142.3	$ 1,986.8

Customer segments –

There are no customers which account for 10% or more of consolidated revenue in 2000 or 1999.

To the Shareholders of Dofasco Inc.

We have audited the consolidated balance sheets of Dofasco Inc. as at December 31, 2000 and 1999 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Dofasco Inc. as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Hamilton, Canada
January 31, 2001

Ernst & Young LLP
Chartered Accountants

The accompanying financial statements of Dofasco Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Where alternative accounting methods exist, management has chosen those methods deemed most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the financial information presented throughout the annual report is consistent with the financial statements.

Dofasco Inc. maintains systems of internal accounting and administrative controls which are of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and all of its members are outside directors. The Committee meets periodically with management, as well as with internal and external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee has reported its findings to the Board which has approved the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited on behalf of the shareholders by the external auditors, Ernst & Young, in accordance with auditing standards generally accepted in Canada. Ernst & Young has full and free access to the Audit Committee.

B. P. Solski,
Executive Vice President – Finance

J. T. Mayberry,
President and Chief Executive Officer

January 31, 2001

	[illegible]	1999	1998***
Statement of income data*			
Sales	$ **3,201.1**	3,142.3	2,982.2
Cost of sales (before the following item)	$ **2,601.8**	2,426.0	2,359.6
Employees' profit sharing plan	$ **38.8**	53.3	38.1
Gross income	$ **560.5**	663.0	584.5
Depreciation and amortization	$ **254.1**	256.0	248.3
Operating income	$ **306.4**	407.0	336.2
Interest on long-term debt	$ **61.7**	60.8	69.8
Interest and other income	$ **(15.9)**	(10.2)	(20.0)
Income (loss) before unusual items and income taxes	$ **260.6**	356.4	286.4
Unusual items	$ **–**	31.8	–
Income tax expense (recovery)	$ **78.2**	133.3	112.5
Minority interest	$ **(6.3)**	(5.9)	(0.3)
Income (loss) from equity investments	$ **–**	–	–
Net income (loss) for the year	$ **188.7**	260.8	174.2
Net income (loss) attributable to common shares†	$ **188.1**	260.2	173.6
Financial position data*			
Current assets	$ **1,355.0**	1,362.2	1,246.3
Fixed assets – land, buildings and equipment, at cost	$ **5,184.7**	4,947.1	4,786.0
– accumulated depreciation	$ **3,181.1**	2,960.3	2,731.8
Other assets	$ **165.0**	133.8	118.2
Current liabilities	$ **512.1**	585.7	459.4
Long-term liabilities	$ **968.3**	854.1	911.8
Future income tax liabilities	$ **170.3**	208.9	227.8
Minority interest	$ **20.4**	21.6	22.7
Shareholders' equity	$ **1,852.5**	1,812.5	1,797.0
Statistical data			
Raw steel production and purchased semi-finished steel processed (thousands of net tons)	**5,009**	4,833	4,794
Steel shipments (thousands of net tons)	**4,416**	4,449	4,056
Earnings (loss) per common share†	$ **2.47**	3.16	2.02
Net income – percent of sales†	**5.9%**	8.3%	5.8%
Net income after adding back interest on long-term debt (after taxes) – percent of average capital**	**9.2%**	12.2%	8.7%
Net income – percent of average common shareholders' equity†	**10.3%**	14.5%	9.8%
Net book value per common share	$ **24.56**	22.90	20.97
Dividends declared – per common share	$ **1.06**	1.00	1.00
– per Class A preferred share	$ **4.75**	4.75	4.75
– per Class C, $2.60 preferred share	$ **–**	–	–
Earnings reinvested in (withdrawn from) the business*	$ **52.1**	83.3	80.7
Capital expenditures*	$ **216.0**	186.0	265.7
Total dividends declared* – preferred	$ **0.6**	0.6	0.6
– common	$ **80.6**	82.2	85.7
Average number of common shares outstanding (thousands)	**76,293**	82,296	85,748

* in millions
** capital = shareholders' equity plus long-term debt (including current portion)
*** Restated to reflect changes in accounting related to income taxes and post-employment benefits.
† after preferred dividends
†† restated to include Algoma on the equity basis

For 1994 and subsequent years, Dofasco has reported its 50% interest in the Quebec Cartier Mining Company using the proportionate consolidation method.

1997	1996	1995	1994	1993	1992	1991	1990††
3,070.4	2,942.0	2,635.9	2,424.8	2,102.9	1,952.9	2,055.8	2,349.3
2,439.9	2,317.0	2,047.1	1,936.2	1,778.2	1,737.0	1,842.4	1,905.7
34.2	40.8	45.7	23.6	7.1	8.3	10.4	29.4
596.3	584.2	543.1	465.0	317.6	207.6	203.0	414.2
252.7	228.2	207.8	211.1	179.8	166.8	157.0	156.0
343.6	356.0	335.3	253.9	137.8	40.8	46.0	258.2
75.8	79.3	86.0	88.0	89.2	90.8	92.6	72.0
(25.9)	(26.8)	(40.1)	(28.3)	(17.3)	(11.8)	(8.4)	(13.8)
293.7	303.5	289.4	194.2	65.9	(38.2)	(38.2)	200.0
—	—	—	67.0	74.8	(323.9)	(52.8)	(713.0)
100.5	96.2	93.6	40.3	(2.7)	(165.5)	(54.8)	70.7
—	—	—	—	—	—	—	—
—	—	—	—	(4.8)	(10.5)	11.2	(95.5)
193.2	207.3	195.8	220.9	138.6	(207.1)	(25.0)	(679.2)
181.7	181.2	169.4	194.2	111.9	(233.8)	(51.7)	(705.9)
1,372.1	1,511.5	1,599.7	1,533.0	1,158.1	1,111.2	1,038.7	1,082.3
4,568.5	4,585.4	4,352.5	4,139.1	3,685.2	3,870.9	3,861.6	3,647.6
2,534.3	2,387.8	2,218.1	2,029.0	1,768.5	1,867.1	1,654.7	1,526.5
69.6	65.4	65.9	69.3	132.3	139.6	166.9	134.8
554.1	474.4	546.1	411.9	295.3	381.6	295.4	383.1
849.7	1,013.9	1,025.6	1,136.7	1,062.0	1,110.2	970.6	883.9
316.8	316.0	353.9	399.4	367.2	393.8	539.3	568.8
—	—	—	—	—	—	—	—
1,755.3	1,970.2	1,874.4	1,764.4	1,482.6	1,369.0	1,607.2	1,502.4
4,621	4,274	3,746	3,507	3,884	4,089	4,094	4,526
4,131	3,985	3,181	3,076	3,350	3,419	3,375	3,717
2.12	2.12	1.98	2.33	1.41	(2.96)	(0.73)	(10.64)
5.9%	6.2%	6.4%	8.0%	5.3%	N/A	N/A	N/A
9.0%	9.4%	9.3%	10.8%	8.4%	N/A	1.3%	N/A
10.7%	11.4%	11.4%	15.1%	10.3%	N/A	N/A	N/A
20.27	19.16	18.00	16.80	14.39	12.98	16.18	17.34
1.00	0.85	0.80	0.30	—	0.15	0.80	1.28
4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
1.11	2.60	2.60	2.60	2.60	2.60	2.60	2.60
95.9	95.7	97.9	168.8	111.9	(245.6)	(108.1)	(790.8)
119.6	293.7	230.1	192.8	89.8	106.9	250.5	325.9
11.5	26.1	26.4	26.7	26.7	26.7	26.7	26.7
85.8	72.7	68.4	25.4	—	11.8	56.4	84.9
85,799	85,615	85,525	83,433	79,394	79,084	70,554	66,323

Dofasco's Philosophy

The objective of Dofasco's Board of Directors is to maximize shareholder value by governing the company's activities in a manner that is consistent with good corporate citizenship, including fair treatment of employees, customers, suppliers and the community.

Dofasco has a comprehensive set of corporate governance policies and guidelines which are designed to permit the Board of Directors to represent the interests of the company's shareholders and to assist management in setting and attaining goals which create value and contribute to the communities where Dofasco operates. These policies and guidelines are regularly reviewed, evaluated and modified to meet the changing needs of the company and its shareholders. Dofasco publishes a handbook setting out these policies. Copies of "Dofasco Board Guidelines on Corporate Governance Issues" are available to shareholders upon request.

In 2000, there were seven meetings of the Board. Average attendance at Board meetings by directors was 96%.

During the year, there were twelve meetings of Board committees. The average attendance at committee meetings by directors was 91%.

Board Committees

Mandate

Review financial reporting issues, audit plans and results, and internal control systems and procedures with management and the auditors.

Review audited financial statements prior to approval by the Board and make recommendations concerning the appointment and compensation of auditors.

Members

Doe, Dowsett, Hantho, Horváth, Logan, Maurice (Chair)

Meetings in 2000 – Three

Mandate

Review and make recommendations concerning the composition of the Board of Directors, nominees for election to the Board at the Annual Shareholders' Meeting or to fill vacancies between annual meetings, the composition and chairs of Board committees, corporate governance policies, evaluation of the Board's performance and succession planning for the Chair of the Board.

Members

Doe (Chair), Dowsett, George, Hantho, Logan, Maurice

Meetings in 2000 – Two

Mandate

Monitor, review and make recommendations concerning human resources policies and practices, organizational structure, appointments, compensation and succession planning for senior management and the Chief Executive Officer's performance and compensation.

Members

Akitt, Chrominska, Clitheroe, George, Hantho, McCamus (Chair)

Meetings in 2000 – Five

Mandate

Monitor, review and make recommendations concerning Dofasco's (and subsidiary and joint venture) environment and health and safety policies, goals, management and reporting systems and performance. Monitor relevant legal and regulatory changes and Dofasco's compliance.

Members

Akitt (Chair), Clitheroe, Coyne, Hantho, Horváth, MacNeill, McCamus

Meetings in 2000 – Two

TSE Guidelines

Like most major Canadian corporations, Dofasco uses the corporate governance guidelines advocated by The Toronto Stock Exchange as a compliance template. Set out below are the corporate governance guidelines of the TSE and a summary of Dofasco's approach to governance in relation to each of the TSE guidelines. A more detailed discussion of Dofasco's compliance with the TSE corporate governance guidelines in 2000 is included in the company's 2001 Management Proxy Circular.

be responsible for corporate stewardship, including the strategic planning process, identification and management of risks, succession planning, corporate communications policy and the integrity of internal control and management information systems.	Board's formal mandate includes all these responsibilities and outlines the elements of stewardship required to fulfil them. Board approval is required for significant acquisitions, divestitures and capital expenditures.
be constituted with a majority of unrelated directors. report annually on the proportion of unrelated directors.	Board is comprised of 13 unrelated directors and 1 related director. reported annually in the Management Proxy Circular.
apply the definition of "unrelated director" to the circumstances of each individual director and disclose on an annual basis whether the Board has a majority of unrelated directors and the analysis of the application of the principles supporting that conclusion.	Board has determined that the President and CEO is the only related director. disclosed annually in the Management Proxy Circular.
appoint a committee of outside directors to propose new Board nominees and to assess existing directors.	responsibility of the Nominating and Corporate Governance Committee, composed exclusively of outside directors. All directors are encouraged to identify potential candidates.
have a process for assessing the effectiveness of the Board as a whole, its committees and individual directors.	Dofasco has a formal, annual evaluation process that includes questionnaires completed by directors and committee members, self-evaluation questionnaires completed by directors, input from senior management, discussions between the Chair and individual directors and an evaluation of the Chair's performance by other directors.
have an orientation and education program for new directors.	Dofasco's comprehensive program includes a variety of written information, tours of operations and the opportunity to attend governance seminars.
ensure that the number of directors is appropriate for effective decision-making.	Board reviews its size and composition annually, to maintain an appropriate mix of expertise and experience, combined with efficient operation and decision-making.
ensure that directors' compensation realistically reflects their responsibilities and associated risk.	Nominating and Corporate Governance Committee annually reviews directors' compensation and compares it with other Canadian public companies, noting the time commitment expected of Dofasco directors. Dofasco encourages ownership of the company's shares by directors and requires that all non-employee directors allocate at least 25% of their annual Board retainer to the purchase of Dofasco shares.
ensure that Board committees are made up, generally, of outside directors, with a majority of unrelated directors.	Dofasco Board committees are composed of outside, unrelated directors.
be responsible for developing the company's approach to governance and for implementing TSE governance guidelines.	responsibility of the Nominating and Corporate Governance Committee.
with the CEO, develop position descriptions for Board and CEO and corporate objectives for CEO.	Board has position descriptions for the CEO, Chair of the Board and directors. Board approves an annual business plan that includes the CEO's corporate objectives, priorities and performance targets.
have a non-management Chair, or "lead director." meet regularly without management.	Chair of the Board is an outside and unrelated director. a portion of each Board meeting is reserved for discussion among directors only. Outside directors also normally meet twice a year, followed by a discussion with the CEO.
have an Audit Committee composed entirely of outside directors that has specific responsibilities, direct access to internal and external auditors and oversees management reporting on internal control.	Dofasco's Audit Committee meets all these guidelines.
have a system to enable individual directors to engage an outside advisor at the company's expense in appropriate circumstances, subject to the approval of an appropriate Board committee.	Dofasco directors are expected to review such matters with the Chair of the Board.

Directors

John E. Akitt

Mr. Akitt is a Corporate Director and Consultant. He joined Dofasco's Board in 1994 and is a member of the Human Resources Committee and Chair of the Environment, Health & Safety Committee.

Sylvia D. Chrominska

Ms. Chrominska, Executive Vice-President, Human Resources of the Bank of Nova Scotia of Toronto, Ontario, joined Dofasco's Board in 2000. She sits on the Human Resources Committee.

Eleanor R. Clitheroe

Ms. Clitheroe is President & Chief Executive Officer of Hydro One Inc. of Toronto, Ontario. Elected to the Dofasco Board in 1996, she is a member of the Human Resources and Environment, Health & Safety Committees.

William E. Coyne

Dr. Coyne recently retired as Senior Vice President, Research and Development of 3M of St. Paul, Minnesota. He has been a Dofasco Director since 1997 and is a member of the Environment, Health & Safety Committee.

Roger G. Doe

Mr. Doe is a retired senior partner of the law firm of Fasken Martineau DuMoulin LLP in Toronto, Ontario. He has served on Dofasco's Board since 1975 and is currently Chair of the Nominating & Corporate Governance Committee and a member of the Audit Committee.

Robert C. Dowsett

Mr. Dowsett is President of Robert Dowsett Consulting of Toronto, Ontario. He joined Dofasco's Board in 1975 and is a member of the Audit and Nominating & Corporate Governance Committees.

Richard L. George

Mr. George, President and Chief Executive Officer of Suncor Energy Inc. of Calgary, Alberta, joined Dofasco's Board in 1995. Mr. George is a member of the Human Resources and Nominating & Corporate Governance Committees.

Charles H. Hantho

Mr. Hantho is Chair of the Board of Dofasco. He joined Dofasco's Board of Directors in 1989 and was elected Chair in 1995. He is a member of the Audit, Human Resources, Nominating & Corporate Governance and Environment, Health & Safety Committees.

Dezsö J. Horváth

Dr. Horváth is Dean & Tanna H. Schulich Chair in Strategic Management at the Schulich School of Business at York University in Toronto, Ontario. Elected to the Dofasco Board in 1995, he sits on the Audit and Environment, Health & Safety Committees.

Frank H. Logan

Mr. Logan joined Dofasco's Board in 1976 and is currently a member of the Audit and Nominating & Corporate Governance Committees. Mr. Logan is Director and Managing Director of Hatch group of Mississauga, Ontario.

Brian F. MacNeill

Mr. MacNeill is Chairman of Petro-Canada of Calgary, Alberta. He joined Dofasco's Board in 2000 and sits on the Environment, Health & Safety Committee.

Peter C. Maurice

Mr. Maurice, a director of a number of Canadian companies, was elected to Dofasco's Board in 1993. He is Chair of the Audit Committee and a member of the Nominating & Corporate Governance Committee.

John T. Mayberry

Mr. Mayberry is President and Chief Executive Officer of Dofasco and joined the Board in 1993.

David R. McCamus

Mr. McCamus, a Dofasco Board member since 1993, is a director of a number of major Canadian corporations. He is Chair of the Human Resources Committee and a member of the Environment, Health & Safety Committee.

[left to right] John Mayberry, Brian MacNeill, Roger Doe, Sylvia Chrominska, Dezsö Horváth, David McCamus, Bill Coyne, John Akitt, Frank Logan, Rob Dowsett, Eleanor Clitheroe, Chuck Hantho, Rick George, Peter Maurice

[left to right] Allen Root, Norm Lockington, Dave Borsellino, John Mayberry, Don Pether, Joan Weppler, Bill Solski

Officers

Charles H. Hantho
Chair of the Board
Mr. Hantho joined Dofasco's Board of Directors in 1989 and was elected Chair in 1995.

John T. Mayberry
President and Chief Executive Officer
Mr. Mayberry joined Dofasco in 1967 and was named President and CEO in 1993.

Donald A. Pether
Chief Operating Officer
Mr. Pether was appointed to his current position in 2000. He began his Dofasco career in 1970.

Bill P. Solski
Executive Vice President – Finance
Mr. Solski joined Dofasco's Finance Department in 1970 and was named to his current position in 1997.

Joan M. H. Weppler
Vice President – Corporate Administration and General Counsel
Mrs. Weppler joined Dofasco as Vice President – Corporate Administration in 1997 and was named General Counsel in 2000.

J. Norman Lockington
Vice President – Technology
Mr. Lockington was named to his current position in 1993, having begun his career at Dofasco in 1973.

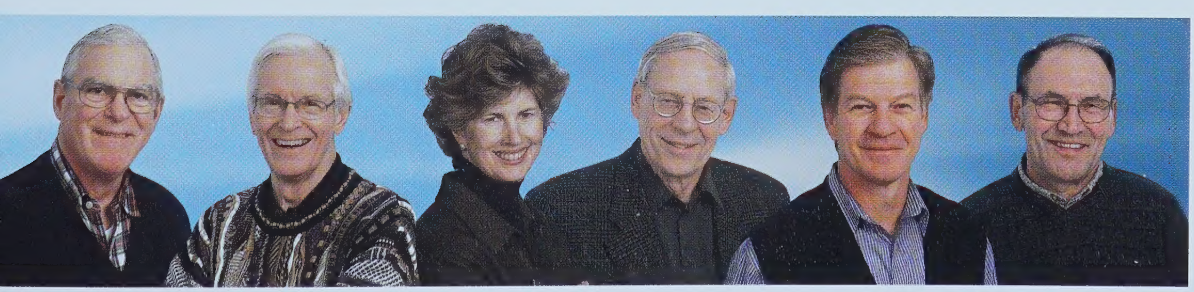
David S. Borsellino
Vice President – Manufacturing
Mr. Borsellino joined Dofasco in 1971 and was appointed Vice President – Manufacturing in 1994.

L. Allen Root
Vice President – Commercial
Mr. Root was named to his current position in 1997. He joined Dofasco in 1973 as a member of the Finance Department.

Raymond P. d'Andrade
Treasurer

Urmas Soomet
Secretary

Brian R. Wilson
Comptroller



Ownership Interests and Products

Subsidiaries

Dofasco USA Inc., Southfield, Michigan	100 %	Storage and processing of steel and by-products.
Dofasco de Mexico S.A. de C.V., Monterrey, Mexico	100 %	Tube mill and steel processing facility. (Under construction)
Powerlasers, Kitchener and Concord, Ontario; Pioneer, Ohio	100 %	Laser-welded automotive blanks and related components.

Mining and related ventures

Quebec Cartier Mining Company, Fermont and Port Cartier, Quebec	50 %	Iron ore pellets and concentrates.
Wabush Mines, Wabush, Nfld.; Pointe Noire, Quebec	24.3 %	Iron ore pellets.

Joint ventures

Baycoat, Hamilton, Ontario	50 %	Prepainted flat rolled steels.
DNN Galvanizing Limited Partnership, Windsor, Ontario	50 %	Hot dip galvanized flat rolled steels.
DoSol Galva Limited Partnership, Hamilton, Ontario	50 %	Hot dip galvanized flat rolled steels.
Gallatin Steel Company, Gallatin County, Kentucky	50 %	Hot rolled steels.
Sorevco and Company Limited, Coteau-du-Lac, Quebec	50 %	Hot dip galvanized flat rolled steels.

Stock Market Information

Common shares

Year	High†	Low†	Shares Traded
2000	**$ 30.60**	**$ 19.05**	**64,471,944**
1999	$ 29.50	$ 17.75	67,927,146
1998	$ 26.65	$ 15.25	63,561,777
1997	$ 31.80	$ 20	85,174,286
1996	$ 26.55	$ 17 1/8	56,077,341

† based on board lots traded.

Valuation day prices

December 22, 1971:

Common – $25.00 (after giving effect to the 3:1 stock split in 1984, $8.33)

4 3/4% Class A Preferred – $74.00

Closing price on February 22, 1994:

Common – $24.125

4 3/4% Class A Preferred – $64.00

Stock exchange listings

Common shares

Stock Symbol: DFS; CUSIP No. 256900-70-5

Listed: The Toronto Stock Exchange

Preferred shares

4 3/4% Cumulative Redeemable Preferred Shares, Series A

Stock Symbol: DFS.PR.A; CUSIP No. 256900-30-9

Listed: The Toronto Stock Exchange

Corporate Information

When contacting Dofasco, please direct inquiries to:

The Corporate Secretary
Dofasco Inc.
P.O. Box 2460
Hamilton, Ontario
L8N 3J5
(905) 544-3761 or
1-800-DOFASCO (363-2726)
E-mail address: corpsec@dofasco.ca
Internet address: www.dofasco.ca

The Annual and Special General Meeting of Shareholders will be held on Friday, May 4, 2001. The meeting will take place at the du Maurier Ltd. Centre, 190 King William Street, Hamilton, Ontario, at 12:00 noon.

On pourra se procurer le texte français de ce rapport annuel en s'adressant au secrétaire de la Société, Dofasco Inc., P.O. Box 2460, Hamilton, Ontario L8N 3J5.

Stock transfer agents and registrars

CIBC Mellon Trust Company
Toronto, Montreal, Vancouver, Calgary

The Bank of Nova Scotia Trust Company of New York, New York (Common Shares and 4 3/4 % Cumulative Redeemable Preferred Shares, Series A)

For more information concerning share ownership or dividends, please contact our transfer agent:

CIBC Mellon Trust Company
320 Bay Street
P.O. Box 1
Toronto, Ontario
M5H 4A6
Answerline: (416) 643-5500
Toll Free Number: 1-800-387-0825
E-mail address: inquiries@cibcmellon.ca

The New Steel

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